

June 10, 1885

CANADIAN PACIFIC RAILWAY.

REPORT OF PROCEEDINGS

AT THE

ADJOURNED ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

HELD AT THE OFFICES OF THE COMPANY, MONTREAL,

ON

SATURDAY, 13th JUNE, 1885.

BOARD OF DIRECTORS.

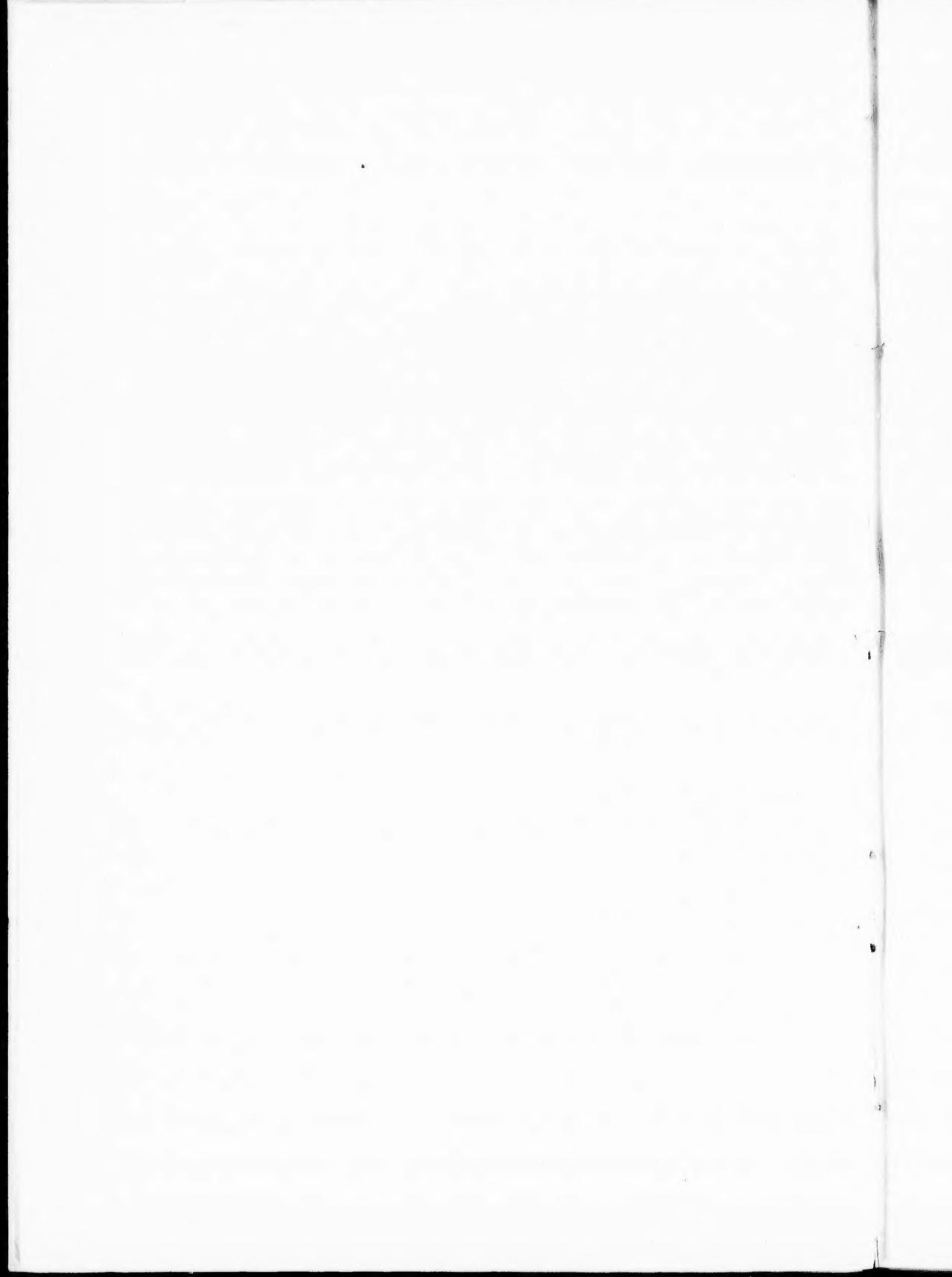
GEORGE STEPHEN,	- - - - -	MONTRÉAL.
Wm. C. VAN HORNE,	- - - - -	do
HON. DONALD A. SMITH,	- - - - -	do
RICHARD B. ANGUS,	- - - - -	do
EDMUND B. OSLER,	- - - - -	TORONTO.
SANDFORD FLEMING, C.E., C.M.G.,	- - - - -	OTTAWA.
H. S. NORTHCOTE,	- - - - -	LONDON.
P. DU P. GRENFELL,	- - - - -	do
C. D. ROSE,	- - - - -	do
R. V. MARTINSEN,	- - - - -	AMSTERDAM AND NEW YORK.
HON. W. L. SCOTT,	- - - - -	ERIE, PA.
GEORGE R. HARRIS, OF MESSRS. BLAKE BROS. & CO.,	-	BOSTON.

OFFICERS.

GEORGE STEPHEN, <i>President</i> ,	- - - - -	MONTRÉAL.
W. C. VAN HORNE, <i>Vice-President</i> ,	- - - - -	do
HON. J. J. C. ABBOITT, <i>General Counsel</i> ,	- - - - -	do
CHARLES DRINKWATER, <i>Secretary</i> ,	- - - - -	do
I. G. OGDEN, <i>Auditor</i> ,	- - - - -	do
W. SUTHERLAND TAYLOR, <i>Treasurer</i> ,	- - - - -	do
JOHN H. McTAVISH, <i>Land Commissioner</i> ,	- - - - -	WINNIPEG.
HENRY BEATTY, <i>Manager Lake Transportation</i> ,	- - - - -	TORONTO.
JOHN M. EGAN, <i>Gen.-Supt. Western Division</i> ,	- - - - -	WINNIPEG.
WILLIAM WHYTE, " <i>Eastern & Ontario Divisions</i> ,	-	MONTRÉAL.

EXECUTIVE COMMITTEE.

GEORGE STEPHEN,	HON. DONALD A. SMITH.
WM. C. VAN HORNE.	R. B. ANGUS.
GENERAL OFFICES,	MONTREAL.



Canadian Pacific Railway.

FOURTH ANNUAL MEETING.

Report of the Proceedings at the adjourned Annual and Special Meeting of Shareholders held, this 13th day of June, 1885, in pursuance of a resolution of adjournment passed at the Meeting held, in accordance with the provisions of the Company's charter, on Wednesday the 13th day of May last.

The shareholders assembled, in conformity with the notice convening the meeting, at noon, at the offices of the Company in Montreal. The President, Mr. George Stephen, took the chair, and the Secretary of the Company acted as Secretary of the meeting.

The shareholders present in person, and duly represented by proxy were ascertained to be 269 in number, holding 382,138 shares of the stock of the Company.

The annual report, a copy of which is attached hereto, having been read, the President made the following remarks:—

In moving the adoption of the report which has just been read, I desire to say a few words which I think necessary fully to explain the position of this Company's affairs at present, and which could not well be compressed within the limits of the official report.

You will, no doubt, concur with me in thinking that the statements which the Directors have laid before you in the report are such as to inspire confidence in the success of the undertaking, while, at the same time, they indicate much that remains to be done before that success can be secured to its fullest extent.

I congratulate you upon what I think I may venture to call the unparalleled rapidity with which the railway has been constructed, and upon the results which its operation has already accomplished. The figures placed before you are not approached in the history of railway construction, and as well from the reports of persons skilled in such matters, as from my own observation, I can state that the efficiency and thoroughness of the work are as remarkable as the rapidity with which it has been performed.

In the recent unhappy disturbances in the North-West, the Company has been fortunate in being able to assist in the transport of troops and material to the field of action, and although, of necessity, some discomfort was experienced by the volunteers in their passage north of Lake Superior, the speed with which that transport was effected contributed, in no small degree, to the suppression of the outbreak. This circumstance has drawn attention, both here and in Europe, to the probability that the railway may, upon its completion to the Pacific Ocean, bear a still more important part in the defence of the Empire, and that its usefulness, in that respect, will form an important adjunct to its value as a peaceful instrument in the consolidation and development of the resources of the Dominion.

One of the subjects which are most debated with refer-

ence to the railway, is the position and value of its acquired and leased lines. On this subject you have some statistics in the report, and I would only desire to add a few words to the information so given you. The main line of the railway, as you are aware, terminates at Callander, but for the purpose of connecting it with the seaboard, with inland navigation, and with the railway systems of Ontario and Quebec, an extension of it to Montreal and Brockville has been acquired, and the consolidated line known as the Ontario and Quebec Railway, passing through Ontario and connecting with American lines and with Lake Huron, has been leased in perpetuity.

These acquisitions by purchase and lease have been frequently referred to as involving the expenditure of money more properly applicable to the construction of the main line. But as respects the original expenditure upon these lines, it is sufficient to say that it has already been repeatedly shown that the cost of the acquisition of the extension to Brockville and Montreal, with many other similar expenditures, was more than provided for by the Company itself from funds derived from its own stock; and that the Ontario and Quebec system was acquired and constructed by individuals, independent of assistance from any portion of the funds of this Company.

What I desire now to point out to you, is, that returns of the actual traffic on the acquired and leased lines east and south of Callander show, at this moment, a net revenue exceeding by 25 per cent. the fixed charges upon them, and exceeding by above 10 per cent. the interest upon the entire cost of those extensions and leased lines, including such fixed charges. This gratifying result, as it seems to me, should put an end to the statement so freely made in various quarters, that the acquisition of

these lines by the Company, constitutes a burden upon the enterprise, to say nothing of the argument, which I fully endorse, that their importance to the Canadian Pacific Railway, in securing for it the handling of traffic, will be at least equal to, and probably greatly exceed, in value, the revenue directly derived from them.

I am pleased also to be able to point out to you that the advantages afforded by the Company's stock, as an investment, are beginning to be appreciated by foreign investors. Large numbers of persons in Britain are holders of the stock, and as very little speculation prevails, these persons seem to have purchased mainly for investment. I am enabled to state that of the \$65,000,000 of stock issued by the Company, about \$40,000,000 are held in England, about \$10,000,000 in the United States, and about \$15,000,-000 in Canada; and it may not be uninteresting also for you to know that the amount of stock now held by the original promoters of the enterprise is greater than at any previous time in the history of the Company.

Another subject has been engaging the attention of the Directors which had not reached a position to be mentioned in the report. I refer to the informal discussions which have been taking place during the past year with reference to obtaining access to the Port of Quebec, and towards procuring the construction of a shorter line of railway from Montreal to the Atlantic coast in the Maritime Provinces.

The Directors have felt the importance of obtaining access to the city of Quebec, and to the sea-board at points open in the winter season, and Resolutions are now before the House of Commons tending to further both these objects. The importance of a free access to Quebec was strongly felt at the time of the acquisition of the western section of the

Quebec, Montreal, Ottawa and Occidental Railway, and conditions were inserted in the agreement of purchase from the Quebec Government, which, if carried out, would have afforded the Company the desired exit for its summer traffic.

Those conditions, however, were not performed by the Company which obtained control of the Eastern section, and although, as you will no doubt have perceived by the published correspondence, every effort was made by the Canadian Pacific Railway Company to obtain the carrying out of the agreement with the Quebec Government, short of proceedings at law for enforcing them, these efforts were not successful. And the discontent which arose among the citizens of Quebec respecting the very imperfect connection with the interior which was afforded by the North Shore Railway, through the controlling influence under which it has fallen, had culminated in an agitation for an efficient and convenient access, to and from the City, for the internal and foreign trade which naturally appertains to that important sea-port.

Such access this Company is equally solicitous with the citizens of Quebec to have placed on a proper footing, and no effort will be spared on its behalf to obtain such access, either by acquiring the North Shore Railway, if that be practicable upon reasonable terms, or by making arrangements for such access as will operate as effectually as would the actual acquisition of the railway itself.

The further alternative of procuring the construction of a second line of railway from Montreal to Quebec, by a company to be incorporated by the Government for that purpose, and to be operated by this Company, is contemplated and conditionally subsidized by the Govern-

ment measure ; but is an alternative which I sincerely trust there will be no necessity for resorting to.

While on this subject I would like to take the opportunity of expressing my regret that the President of the Grand Trunk Railway Company should have seen fit, at the half-yearly meeting of the Shareholders of that Company held recently in London, to indulge in an unfair and uncalled for attack upon this Company. It would serve no useful purpose for me either to answer his personal attacks, or to notice the insolent language of some of the other speakers at that meeting—speakers who are regularly put forward at such meetings, to speak not only of the Canadian Pacific Company, but also of the Canadian Government, in terms that would be impolitic for the President himself to use.

The President of the Grand Trunk Company, after expressing grave doubts as to the possibility of the Canadian Pacific ever being able to pay its own working expenses, and pointing out the consequent worthlessness of its obligations to pay the rental of its leased lines, the Ontario and Quebec in particular, becomes sympathetic over the troubles he pictures for us, quite forgetting his own for the time. He goes on to say that the question is not how much profit we will make in the first few years, but how much loss we will suffer in working our Railway, and how much more money we will want to complete it. He winds up his melancholy forecast of our future by observing, that the best thing for the Government and ourselves, would be that our Railway should be taken over by the Government, and that when that happy time comes, as he thinks it must come, there will be an end to undue competition ; and he promises the friendly assistance of the Grand Trunk proprietors to

enable the Government to work our line with as little loss as possible.

What weight the Grand Trunk shareholders attach to the oracular utterances of their President I do not know, but I think, in fairness to them, if not to ourselves, he should have stated that his information was entirely second-hand. I doubt if he has ever seen a mile of the Canadian Pacific Railway or been within a thousand miles of that "vast country," the opening of which he was obliged to say might do the Grand Trunk Railway much good by bringing new traffic into Canada.

Had he told his hearers how ill-qualified he was to form a correct opinion on the subject on which he was so confidently presuming to enlighten them, they would have been better able to judge as to the value of the gloomy forecast of our future with which he tried to cheer up his desponding and somewhat restivè audience.

I will not follow the example set by the President of the Grand Trunk Company, and occupy your attention with any opinions I may have on the position and prospects of that railway, or of any other business competitor; I could not do so without feeling that I was guilty of wanton impertinence.

With reference to the conundrum proposed by Sir Henry Tyler to his shareholders about the difficulty of working our line "with a very severe climate and with "all sorts of disadvantages," much greater, as he claims, than those under which his line labors, it is sufficient to say that during the two years we have been working the line between Lake Superior and the Rocky Mountains, a distance of nearly 1,500 miles, we have not—it may surprise you to know—had occasion to use a snow-plough

to keep the line open: and during the past unusually severe winter not one train has been delayed a minute on all of our lines in the North-West by snow or cold weather. Nor have I any apprehension that in publishing our weekly statements of earnings we will often be obliged to resort to the explanatory cable, familiar of Grand Trunk shareholders, "Line blocked by snow." For is it not within the knowledge of every Canadian present that during the past winter there was more trouble from snow, and more detentions to trains from severe weather, on the 330 miles of the Grand Trunk Railway between Montreal and Toronto than on all the 2,800 miles operated by the Canadian Pacific Company?

I commenced these remarks by saying that I regretted that the President of the Grand Trunk Company had gone out of his way to speak ill of this Company, and I repeat this regret most sincerely.

He has set an example which I hope will never be imitated by any President of the Canadian Pacific Railway Company. If it is a fact, as Sir Henry Tyler stated, that the few individuals connected with the Canadian Pacific Company, who, at great personal sacrifice and inconvenience to themselves, found the capital necessary to provide the Canadian Pacific with a valuable and indispensable connection in the Province of Ontario, did a very foolish thing for themselves, why waste time in persistently reminding them of their folly?

If any of us have made a bad investment, it is our own affair, and the loss will be ours. If, however, we are satisfied, why should the President of the Grand Company vex his soul about the safety of our investments?

I have always held the opinion that there is in Canada plenty of room for both Companies, and every day that conviction becomes stronger. Competition between us there must always be, but being competitors why should we be enemies, always at war?

Reading between the lines of Sir Henry Tyler's speech, I think you will perceive some faint grounds for hope that he is tardily coming to the same conclusion as my colleagues and myself have always held on this question. He says to his Shareholders that "there is nothing "the Grand Trunk desires more than to contribute to the "prosperity of Canada in every way by extensions of "railways throughout the country, and by opening out "those lines which will tend to develope the resources of "the Dominion."

If Sir Henry Tyler and his Grand Trunk Trunk friends had acted upon these patriotic sentiments, how different would have been the relations of the two Companies! But we can well afford to bury the past and to forget the hard words and unfriendly acts of the past four years. Both railways are here, and here they must remain, and it is the duty of those who are responsible for their management to devote themselves honestly and earnestly to the development of the resources and trade of this great and growing country; and in this way they will best promote the interests of their respective Shareholders, and secure a fair return on their invested capital. The two Companies, each independent of the other as they must always be, but working harmoniously for these common objects, will accomplish the purpose for which their Charters were granted, and for which the Country has so freely given aid to both.

The Chairman then moved a Resolution adopting the report, which was seconded by Mr. Van Horne, and carried unanimously.

The following resolutions were also unanimously adopted :—

That the following resolution passed by the Board at the meeting held on the 9th June instant be, and the same is, hereby ratified and confirmed :—

"That By-law No. 50, fixing the tariff of tolls, rates and fares be amended, so that the section relating to the conveyance of emigrants shall read as follows :—

" Emigrant fares one half first class passenger rates, except from Emerson and Gretna."

That the minutes of the meetings of the Board and Executive Committee held since the Annual Meeting held on the 14th May, 1884, and now laid on the table be, and the same are, hereby approved, ratified and confirmed.

That the remuneration of the President for the current year be \$5,000, and of each Director other than the President, \$1,000 ; that there be no special remuneration attached to the office of member of the Executive Committee ; and that the remuneration of the Vice-President, performing the functions of General Manager, remain as heretofore.

The Chairman having named Messrs. Edmund B. Osler and John Turnbull as Scrutineers, a ballot was taken for the election of Directors for the ensuing year ; and on the report of the Scrutineers the following were declared duly elected :—

George Stephen,	Montreal.
Hon. Donald A. Smith,	"
Wm. C. Van Horne,	"
Richard B. Angus,	"
Edmund B. Osler,	Toronto.
Sandford Fleming, C.E., C.M.G.,	Ottawa.
H. S. Northcote,	London.
P. du P. Grenfell,	"
C. D. Rose,	"
R. V. Martinsen,	Amsterdam & New York
Hon. W. L. Scott,	Erie, Pa.
George R. Harris, of Mess. Blake Bros. & Co.,	Boston

And on motion it was

Resolved, That the General Annual Meeting convened for the election of Directors, and the transaction of business generally be adjourned until Thursday, the 25th day of June instant, at the same hour and place; and that such adjournment do take effect upon the termination of the special business of which notice has been given.

The meeting was then made special for the consideration of the said special business.

And the President stated that some informal discussion had taken place with the Government respecting the best mode of obtaining access to Quebec, and with officials of the Grand Trunk Railway as to the North Shore Railway; and that in view of the resolutions now before the House of Commons, it was expedient that such authority as the Shareholders might determine upon in respect of that important subject, should be conferred upon the Board:—

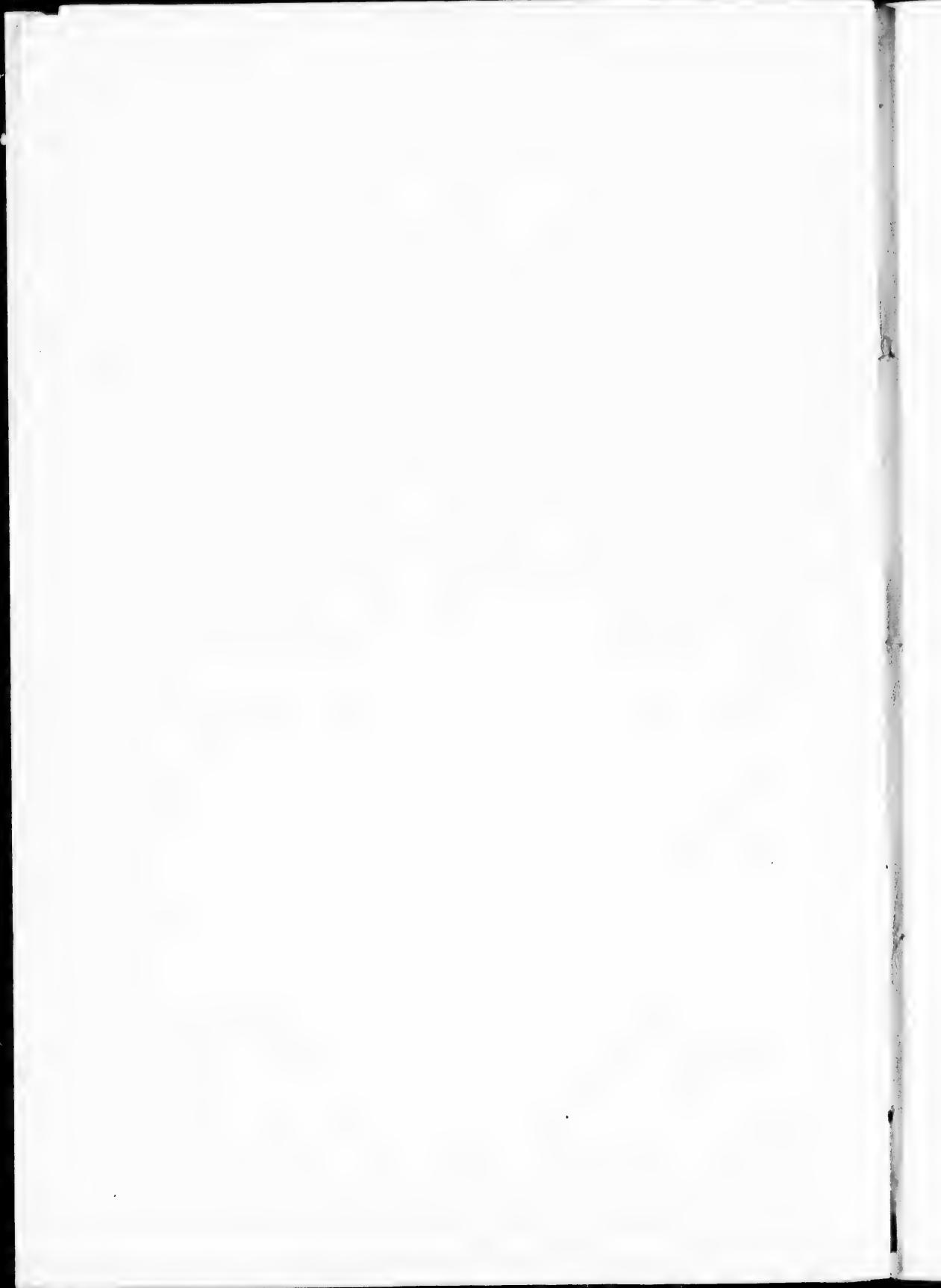
Whereupon it was

Resolved, That the Directors of this Company be, and they are, hereby authorized to enter into such agreement with the Government and with the Company, controlling the North Shore Railway as they shall determine upon, and as they consider necessary to meet the requirements of the said Resolutions and of the Government, in connection therewith.

And on motion it was further

Resolved, That this meeting for special business be also adjourned until Thursday, the 25th day of June instant, at the same hour and place, such business to be taken up immediately after the business of the adjourned General Annual Meeting has been transacted.

At a meeting of the new Board subsequently held Mr. George Stephen was re-elected President, and Mr. W. C. Van Horne, Vice President of the Company.



REPORT

OF THE

DIRECTORS OF THE CANADIAN PACIFIC RAILWAY COMPANY,
SUBMITTED AT THE ADJOURNED ANNUAL GENERAL
MEETING OF THE SHAREHOLDERS, HELD AT
MONTREAL ON THE 13TH JUNE, 1885.

A general balance sheet, with accounts and statements showing the position of the Company at 31st December, 1884, are herewith submitted to the Shareholders.

PROGRESS OF CONSTRUCTION.

The Directors beg to report that—

During the past year, the work of construction on the main line has been prosecuted with uninterrupted energy and success; the promise made in May last to the Shareholders, in the Annual Report, "that the rails will be "laid from Callander to Port Arthur within a year from "this time," having been literally fulfilled.

On the Mountain Section the rails are now laid to a point near the summit of the Selkirks, forming a continuous rail connection from Montreal westward for a distance of nearly 2,500 miles.

On the Government Section between Port Moody (the present Pacific Ocean terminus) and Savona's Ferry, a distance of 213 miles, the rails have been laid; and this section of the line, which will soon be handed over by the Government to the Company, has been operated for some time past by the Contractor who built it.

On the section between Savonas' Ferry and the present end of the track, near the summit of the Selkirks, a distance of 203 miles (the only remaining gap between Montreal and the Pacific Ocean), the work is so far advanced, as to justify the expectation that the rails will be laid before the end of September—completing the track from end to end of the entire Main Line.

The Directors, therefore, can confidently assure the shareholders that by the early spring of next year the through line from Montreal to the Pacific Ocean (a distance of 2,895 miles) will be finished and in perfect condition, thoroughly equipped, possessing every requisite facility for doing its work economically and efficiently, and at least equal to the best of its competitors in all respects; particularly as to curves and gradients, permanent way and rolling stock; the quality and character of the railway being far above the standard fixed in the contract with the Government. The Company will then have built and equipped 2,244 miles of railway within five years from the time it began work.

FINANCIAL POSITION.

In considering the financial position of the Company, it may be well to remind the Shareholders, that at the beginning of the present year there remained in the hands of the Government; an unexpended cash balance of \$8,633,082, available for the work under contract with the Government. This sum, as has already been officially stated, is sufficient to complete the work remaining to be done, according to the terms of the contract.

It will be remembered that under the contract with the Government, it was stipulated that the line to be built by the Company should be of a quality and charac-

ter equal to the Union Pacific Railway as it was in February, 1873. But since that date the Union Pacific Railway has been greatly improved, and other Pacific railways of a high class have been built; and it will be obvious to the Shareholders, that in order to ensure the complete success of the enterprise, as a commercial undertaking, it is absolutely necessary that the railway, on its opening for through traffic, shall be in all respects, at least equal in efficiency to any of its transcontinental competitors as they now exist; and that it should be provided with ample facilities for taking care of its rapidly increasing local traffic.

Recognising this necessity, the Directors have made during the past year large expenditures for rolling stock, grain elevators, terminal and other facilities, and for the general improvement of the lines in operation,—all necessary to secure the requisite high standard of efficiency, though not fully foreseen at the time the contract was made with the Government.

The amount expended towards this object during the past year was \$4,702,684, and this sum, it will be noticed, accounts for the greater part of the floating debt shown in the balance sheet. Further additions to the equipment are now being made; additional facilities will have to be provided immediately, and the usual improvements incident to all new lines must be made from time to time. All the various needs of a new railway in a new and rapidly growing country, and everything necessary to secure economical and efficient operation, and the full development and permanent control of its traffic, must be supplied.

For these purposes, the estimated amount required will be as follows:

For sleeping cars, passenger cars, dining cars, baggage, mail and express cars, emigrant cars, box and cattle cars, conductors' cars, derrick, tool and other auxiliary cars, locomotives, hand cars, push cars, track tools, semaphores and other equipment requisite for operation of line, also for restoring construction locomotives to good working condition	\$1,000,000
For elevators, at Port Arthur, Fort William, Montreal, etc.; coal-bunkers, Montreal; additional real estate, Montreal and elsewhere; revetment walls at Montreal; additional depots and tracks and other facilities, Montreal and other points; additional yard room and tracks, coal and other docks, and other terminal facilities at Fort William and Port Arthur.	1,500,000
For divisional shops and machinery at nine points, coal docks and machinery at two points on Lake Superior section; station buildings, section houses and miscellaneous buildings at various points; additional station sidings and crossing tracks at various points; extension of divisional yards; additional engine houses; improvement in water supply; additional tanks; permanent bridge work at the various crossings of Bow River and on other sections; additional ballasting, filling trestles and raising roadway	600,000
For completion of telegraph system, main line and branches....	275,000
For connection with Coal Harbour and English Bay; shops, buildings, docks, tracks and other facilities at Pacific terminus....	760,000
Contingent expenditures	910,000
	<u><u>\$5,045,000</u></u>

At the end of December last, according to the Balance Sheet submitted, the total assets of the Company amounted to \$216,711,725.58, as under:—

2,658 miles railway and appurtenances, including steamships and telegraph lines.....	\$115,173,416 26
713 miles railway, built by Government, and given to Company free, as part of subsidy	35,000,000 00
21,399,737 acres agricultural land, valued at \$2 per acre....	42,799,474 00
Amount in hands of Government to pay 9 years 3 per cent. dividend on Capital Stock of Company	14,288,288 87
Balance due on lands sold	2,078,286 56
Land Grant Bonds in Treasury.....	728,500 00
Outside assets	6,643,759 89
Total assets.....	<u><u>\$216,711,725 58</u></u>

Represented by total liabilities amounting to..... \$106,914,306

As under:

Capital stock.....	\$85,000,000
Canada Central Bonds.....	1,823,333
Quebec Province (due on account Q. M. O. & O. Railway).....	3,500,000
Dominion Government Loan.....	26,007,512
Land Grant Bonds (outstanding).....	3,688,000
Floating Debt	6,895,461

\$106,914, 306

Assuming that the re-arrangement of the Company's finances now under the consideration of Parliament becomes law, and that the \$15,000,000 mortgage bonds provided for under this re-arrangement are sold at par, the following may be taken as the prospective financial position of the Company at the 1st of June next (1886); after having expended the \$8,633,082 remaining in the hands of the Government for the completion of the main line, after having provided for the payment of the floating debt amounting to \$6,895,461, and after having expended the estimated \$5,045,000 required for additional equipment and facilities:

ASSETS.

2658 miles railway and appurtenances, including steamships and telegraph lines.....	\$128,851,498
713 miles built by Government, forming part of subsidy	35,000,000
21,399,737 acres of land valued at \$2 per acre	42,799,474
Amount remaining in hand to pay 3 per cent. dividend on Capital Stock for 7½ years	12,528,029
Balance due on lands sold.....	2,078,286
Outside assets.....	6,643,759
Cash balance from proceeds mortgage bonds.....	3,059,539

\$230,960,585

LIABILITIES.

Capital Stock	\$65,000,000
Canada Central Bonds.....	1,823,333
Province of Quebec.....	3,500,000
Government Loans (secured by bonds).....	20,000,000
*Government Loan Balance (secured by lands).....	9,880,912
First Mortgage Bonds (outstanding)	15,000,000
*Land Grant Bonds.....	3,688,000
	<hr/>
	\$118,892,245

THE FIXED CHARGES will then be approximately as follows:—

\$20,000,000 Government Loan, 4 per cent.....	\$800,000
\$15,000,000 First Mortgage Bonds, 5 per cent.....	750,000
\$3,500,000 due Government Quebec (account Q. M. O. & O. Rail-way), 5 per cent.....	175,000
\$1,823,000 Canada Central Bonds and Sinking Fund, 6 per cent,	107,400
Rental Leased Lines.....	778,434
	<hr/>
	\$2,610,834

Add

\$9,880,912 Government Loan, secured on Land Grant, 4 per cent.	395,236
Total fixed charges	\$3,006,070

As the Shareholders are already aware, persistent efforts of the enemies of the Company at home and abroad, to destroy confidence in the enterprise, have been so far successful, that the \$85,000,000 of unsold shares of the Capital Stock of the Company have become practically useless as an available resource. The Directors have in consequence been obliged to apply to the Dominion Government for a modification of the terms of the Act, under which the loan of last year was granted to the Company. And a measure is now before the Dominion Parliament which provides

* These items will be reduced by land sales.

amongst other things for the cancellation of the \$35,000,000 of unsold shares, and the substitution therefor of \$35,000,000 five per cent. 1st. Mortgage Bonds. The measure also provides for the postponement of the payment of the indebtedness of the Company to the Government, amounting to \$29,880,912, to 1st May, 1891, and for the reduction of the rate of interest from five per cent to four per cent; the Government agreeing to accept \$20,000,000 of the proposed bonds as security for the payment of an equal amount of the debt; and, as security for the payment of the remaining \$9,880,912, to retain a first lien on the unsold land of the Company, subject to the outstanding Land Grant Bonds.

This measure does not afford means for so complete and advantageous an arrangement of the Company's affairs as would have been attained under the conditions suggested in the President's letter of the 18th March last, a copy of which and of the Resolution based thereon now before Parliament will be found in the Appendix to this Report. But the proceeds of the \$15,000,000 of first Mortgage Bonds which will be available for use by the Company, will be sufficient to enable it to pay the floating debt, and to provide for all the additional equipment and facilities which will be needed to place the carrying powers of the Company, and its accommodations for traffic, in the highest condition of convenience and efficiency. But the Company is being pressed in several quarters, for extensions and additional facilities beyond its main line, some of which it desires to provide; and although the Directors hope that the measure proposed may also enable them to meet the more important of these requirements, it remains to be seen how far the Government measure, in reducing so largely the relief the Company requested, may not restrict its power of providing for the extensions of its connec-

tions, which the Company and the public, and it is believed the Government also, desire to see carried out; and may not also interfere with the intention and wish of the Company to anticipate the period of the repayment of the Government loan.

Should this measure become law, the position the Company will occupy on the opening of the through line next spring may be summed up as follows:—

It will have a cash deposit in the hands of the Dominion Government, sufficient to pay semi-annual dividends at the rate of 3 per cent. per annum on its \$65,000,000 capital stock for seven and a half years, or until the end of the year 1893. It will own 3,299 miles, and will hold under lease 695 miles, of fully completed and thoroughly equipped railway, forming a total mileage of 3,994 miles. It will own more than 21,000,000 acres of agricultural lands. It will own three fine steel steamships on the great lakes, and an extensive and well appointed telegraph system, with power to extend its telegraph lines to all parts of the country. All this property, together with certain outside assets, in all valued at \$230,960,585, will be represented by a total indebtedness of \$53,892,245, bearing an unusually low rate of interest; and by \$65,000,000 capital stock, for which dividends for seven and one-half years will be in hand.

TRAFFIC AND EARNINGS.

The opening of the through line to the Pacific Ocean for regular traffic in the spring of next year, will be the full accomplishment of the national and political objects which the Government of the Dominion had in view in subsidising and aiding the construction of a transcon-

tinental line through Canadian territory ; the Company will then have fulfilled all its obligations to the Government under its contract : it will be in the same position as any other purely commercial enterprise ; and will depend for its prosperity upon the development of traffic and prudent management. The value of the property as an investment must then be measured and determined solely by the amount of money it can earn.

The following results of the operation of the railway for the last two years have been obtained from it as a new and incomplete railway, only in partial operation, and having to a large extent to create its own traffic ; and that, too, during a period of unexampled commercial depression :

EARNINGS AND EXPENSES.

	1883	1884
Passengers.....	\$1,464,631 37	\$1,980,902 30
Freight.....	3,755,915 99	3,410,365 39
Mail.....	69,109 16	85,736 83
Express.....	57,171 16	95,671 68
Sleeping cars.....	24,071 55	43,492 60
Miscellaneous.....	52,796 72	134,352 47
	<hr/>	<hr/>
	\$5,423,695 95	\$5,750,521 27
Expenses.....	4,862,552 85	4,558,630 75
	<hr/>	<hr/>
Net....	\$561,143 10	\$1,191,890 52

Construction material included in above earnings :—

1883	1884
\$1,274,000 Gross.	\$623,193 Gross.

The amounts included for carriage of construction material do not affect the net result, as it was carried at absolute cost, and such cost is included in the expenses.

STATEMENT of Earnings, Expenses and Net Earnings for
1884.

MONTH.	EARNINGS.		EXPENSES.		NET EARNINGS.	
	\$	cts.	\$	cts.	\$	cts.
January	274,645	02	401,915	19	127,270	17
February	224,638	54	363,965	48	139,326	94
March	279,575	22	355,275	76	75,700	54
April	343,966	52	318,938	71	25,027	81
May	424,556	77	349,739	93	74,816	84
June	550,661	22	399,030	12	151,631	10
July	549,367	21	394,673	03	154,694	18
August	565,814	47	383,983	85	181,830	62
September	639,839	78	407,628	74	232,211	04
October	735,531	11	438,082	62	297,448	49
November	640,373	38	395,160	37	245,213	01
December	521,552	03	350,236	95	171,315	08
	\$5,750,521	27	\$4,558,630	75	\$1,191,890	52

During the first four months of the present year, 1885, the earnings and expenses have been as follows:—

MONTH.	EARNINGS.		EXPENSES.		NET EARNINGS.	
	\$	cts.	\$	cts.	\$	cts.
January	423,764	16	339,058	50	84,705	66
February	401,508	14	334,361	71	67,146	43
March	489,151	89	360,624	66	128,527	23
April	692,141	43	367,776	59	324,364	84
Total	\$2,006,565	62	\$1,401,821	46	\$604,744	16

There is thus shown an improvement in net results over the first four months of last year of \$922,014.

The amount of construction material carried this year being \$129,318 gross, as compared with \$106,120 gross, for the same time last year.

According to the above statement, and assuming that the net earnings for the last eight months of the present year will be no more than they were for the last eight months of 1884, the result for the present year will be a net profit of \$2,113,904.

As an increase in net earnings for the last eight months of this year may fairly be expected, the Directors believe that the net result of the present year's operations will not fall short of \$2,400,000; and without pretending to be able to forecast the future, or wishing to indulge in what might seem to be extravagant estimates of the prospective earning power of the property, they believe themselves justified in estimating that for the year beginning June 1st, 1886, which will be the first year of the full operation of the through line, the gross earnings will not be less than \$12,000,000, and the net profit not less than \$3,600,000; and the Directors feel confident that every succeeding year, as the country traversed by the line is brought under cultivation, there will be a large and constant increase in the earnings and net results.

The Ontario and Quebec line, from Perth to Toronto, was not opened for traffic until late in August last, and it was in partial operation only during the remainder of the year; but the results were such as fully to satisfy the expectations of the Directors, and to establish beyond question its great value as a large contributor to the profits of the Company, and its necessity for the protection of the traffic of the main line.

The Directors have no misgivings about the wisdom of their policy in securing the control of new and independent connecting lines in Ontario and Quebec, the necessity for which was impressed upon them by the bitter hostility and unreasoning jealousy with which the

Company has been pursued, from its very inception, by another Canadian railway company which has so long enjoyed an almost undisputed monopoly of the railway business of the Dominion. The Directors are convinced that without the control of tributary lines, reaching all the important centres of trade in the older provinces of the Dominion, the Company could have no adequate command of the traffic to and from the Canadian North-west and the Pacific Coast, and that the greater part of it would continue to be carried by the American lines, as it has been in the past, and the Canadian Pacific Railway would fail to accomplish one of the main objects for which it was brought into existence.

LANDS.

The land sales for the past year have been as follows:—
798,584 acres, at an average price of \$3.01 $\frac{1}{4}$ per acre.

The total sales up to Dec. 31st, 1884, were	3,730,187 acres
Less cancelled sales.....	129,924 "
	<hr/>
	<u>3,600,263 acres</u>

These cancelled sales were the result of failure on the part of the purchasers to carry out the terms of their contracts—in some cases as to cash payments, in others as to cultivation. Where the lands were held by speculators who defaulted in payments or in conditions as to cultivation, it was thought best that the lands should revert to the Company; but the most liberal treatment has been accorded to all *bona fide* settlers who appeared to have acted in good faith.

The experience of the Company in the matter of land sales has been to some extent similar to that of nearly all the land grant railways in the United States, where the

first speculative fever has almost invariably been followed by a heavy falling off in land sales, owing to the presence of vast quantities of free Government lands; but as these were taken up by settlers, the sales of railway lands increased, and prices increased as well.

Profiting by the experience of others, this Company has extensively advertised the free Government lands, and made every effort to stimulate their settlement.

The settlements along the main line now extend something more than 400 miles west of Winnipeg, and for this distance the greater part of the Government lands within ten miles of the railway have been taken up, and there are indications of renewed activity in the sales of the lands of the Company.

LAND GRANT MORTGAGE.

The following was the position of the 5 per cent. Land Grant and Mortgage Bonds, at 31st December, 1884:—

Total issue	\$25,000,000
Deposited with the Government as security under the contract, without interest.....	\$5,000,000
Held by the Government under the Loan Act, 1884, without interest	8,996,000
Redeemed by land sales and cancelled	7,316,000
Balance outstanding.....	<u>21,312,000</u> <u>\$3,688,000</u>

Against this balance the Company holds interest-bearing obligations, on land sales contracts, amounting to \$2,078,286.56 and has on hand \$728,500 unsold Bonds.

It will, no doubt, be gratifying to the shareholders to know that there are no telegraph, sleeping-car or elevator companies, or anything of that nature, connected with

their line, nor any private interests of any description to absorb any portion of their profits.

The disturbance among the Metis and Indians of the North-West Territories, although occurring in a district several hundred miles north of the railway, and in no way affecting the Province of Manitoba nor any of the territory adjacent to the Company's lines, may for this season have a deterring effect upon emigration; but its ultimate influence will not be injurious in this respect; while the outbreak itself, and recent events in Europe and Asia, have demonstrated the vast importance of the Canadian Pacific Railway to the welfare of this country, and to the Empire at large.

The Directors, without having come to any decision in the matter, strongly incline to the opinion that, under all the circumstances of the case, and especially in view of the fact that the 3 per cent. guaranteed dividend, secured for the next eight and half years, yields to the Shareholders a fair return for the capital invested, it would not be expedient to pay any further supplementary dividend out of capital, during the short period which will be occupied in completing construction. The Directors, however, believe, that after that period has expired the net earnings of the Company will soon be sufficient to warrant the payment of increased dividends.

The Directors are happy to state that in the operation of the railway no material difficulties have been encountered, and that, notwithstanding the unusual severity of the past two winters, the traffic has been carried, both on the Eastern and North-Western sections of the line, with singular freedom from accident or delays; and the statement is now submitted with entire confidence, that fewer difficulties will be experienced, in the future,

than on any other railway in Canada or the northern United States, and that, owing to the superior character of the line, the expenses of maintenance and operation will be considerably below the average.

The Directors regret losing another of the original associates, who together undertook to carry through this work. Baron Reinach of Paris, having resigned his seat at the Board in December last. Mr. John Turnbull, who consented to join the Board temporarily in March 1884, now desires to retire.

In conclusion the Directors desire to say, that it has been their aim in this report to give information necessary to enable each Shareholder to form his own opinion of the position and prospects of the Company. While the past eighteen months have been a period of some anxiety to the Directors, and the difficulties and embarrassments connected with the undertaking sometimes seemed as if they might prove to be overwhelming, yet amid them all the Directors have never for a moment lost confidence in the ultimate success of the enterprise.

GEORGE STEPHEN,
President.



CONDENSED BALANCE SHEET.—December 31st, 1884.

		\$65,000,000 00
	<u>CAPITAL STOCK</u>	
	<u>MORTGAGE BONDS</u> .	
	<u>CANADA CENTRAL</u> (1st Mortg-	
	age Bonds 5 $\frac{1}{2}$ %:	
	Amount of issue,.....	<u>\$4,759,682 13</u>
	Amount to be received.....	
	<u>LAND GRANT</u> .	
	<u>3,600,263 acres sold amount'g to</u>	<u>10,506,234 41</u>
	<u>LESS—Expenses and 10% Pre-</u>	
	<u>mium on Land Grant Bonds</u>	
	<u>taken in Payment.....</u>	<u>1,111,947 85</u>
	<u>TOWN Sites.</u>	
	<u>Amount received for Sale of</u>	
	<u>Town Sites not covered by</u>	<u>504,675 72</u>
	<u>Land Grant Mortgage</u>	
	<u>BONUSES received from municipali-</u>	
	<u>ties.....</u>	
	<u>NETT Revenue from road to</u>	
	<u>date during construction (all</u>	
	<u>Interest and Rentals having</u>	
	<u>been deducted)</u>	
		<u>1,626,064 79</u>
		<u><u>\$138,912,251 58</u></u>
		<u><u>\$138,912,251 58</u></u>

NOTE.

Note.—21,399,737 acres of land unsold valued at
\$2 per acre, \$42,799,474.00.

I. G. OGDEN, Auditor.

MONTRÉAL, JUNE 12TH, 1885.

CONDENSED BALANCE SHEET.—December 31st, 1884.

COST OF ROAD.

Main Line.....	\$88,321,595 56
Acquired Lines.....	8,981,955 18
Branch Lines.....	4,605,172 83
	<u>\$101,908,723 57</u>

NOTE.

Lines built by Govt. not included, estimated cost. \$35,000,000

EQUIPMENT.

Rolling Stock.....	7,359,930 13
Lake Steamers.....	697,369 02
Shops and Machinery at and near Montreal.....	903,165 11
	<u>8,960,464 26</u>

CONSTRUCTION Plant Tools & Outfit

..... 208,291 43

REAL ESTATE at and near Montreal.....

..... 408,207 73

ADVANCES and Expenditure on Leased Lines.....

South Eastern Railway.....	1,595,280 43
St. Lawrence and Ottawa Railway.....	227,155 49
Atlantic and North West Ry.	202,837 09
Manitoba South Western Colonization Ry.....	1,254,678 94
Ontario Leased Lines.....	1,263,450 41
	<u>4,545,402 36</u>

ACCOUNTS receivable.....

..... 2,098,357 53

MATERIAL on hand.....

..... 3,687,729 27

DOMINION GOVERNMENT GUARANTEE FUND.

Amount on deposit to guarantee 3% dividend on stock :—

Original deposit.....	8,710,240 00
Additional deposit.....	147,136 87
Amount advanced by Govt....	7,380,912 00
	<u>16,238,288 87</u>
LESS Dividends Paid.....	1,950,000 00
	<u>14,288,288 87</u>

BALANCE due on Lands sold (deferred payments).....

..... 2,078,286 56

LAND GRANT Bonds in possession of Company

..... 728,500 00

NOTE.—21,399,737 acres of land unsold valued at \$2 per acre, \$42,799,474.00.

CAPITAL STOCK

\$65,000,000 00

MORTGAGE BONDS.

CANADA CENTRAL (1st Mortgage Bonds 5 %).
Amount of issue,
£500,000 equals.. \$2,433,333
Sinking Fund deposited with Govt... 1,560,000

Amount necessary to redeem balance at maturity
Canada Central (2nd Mortgage Bonds 6 %).....

\$850,000 00
973,333 33 1,823,333 33

DUE PROVINCE of Quebec.

Balance due on purchase of Q.M.O. & O. Ry..... 3,500,000 00
LAND GRANT Bonds (1st Mortgage).
Amount of issue... \$25,000,000
LESS amount redeemed by Land Sales 7,316,000
17,684,000
Amount held in trust by Dominion Government and not bearing interest..... 13,996,000
\$3,688,000 3,688,000 00

GOVERNMENT Loan.

Amount applied on account of fund for Government guarantee of dividend..... 7,380,912 00
Total Loan on account of construction..... 22,500,000
Amount received.. 18,626,600 18,626,600 26,007,512 00

Am't to be received. \$3,873,400

LOANS Payable..... 2,435,047 60

UNPAID Vouchers and Accounts..... 4,460,413 71

CASH Subsidy paid by Government.

Total Cash Subsidy..... 25,000,000 00
Amount received 20,240,317 87 20,240,317 87

Amount to be received.... \$4,759,682 13

LAND GRANT.

3,600,263 acres sold amount'g to LESS—Expenses and 10 1/2 Premium on Land Grant Bonds taken in Payment..... 1,111,947 85 9,394,286 56

TOWN Sites.

Amount received for Sale of Town Sites not covered by Land Grant Mortgage 504,675 72

BONUSES received from municipalities..... 232,600 00

NETT Revenue from road to date during construction (all Interest and Rentals having been deducted)..... 1,626,064 79

\$138,912,251 58

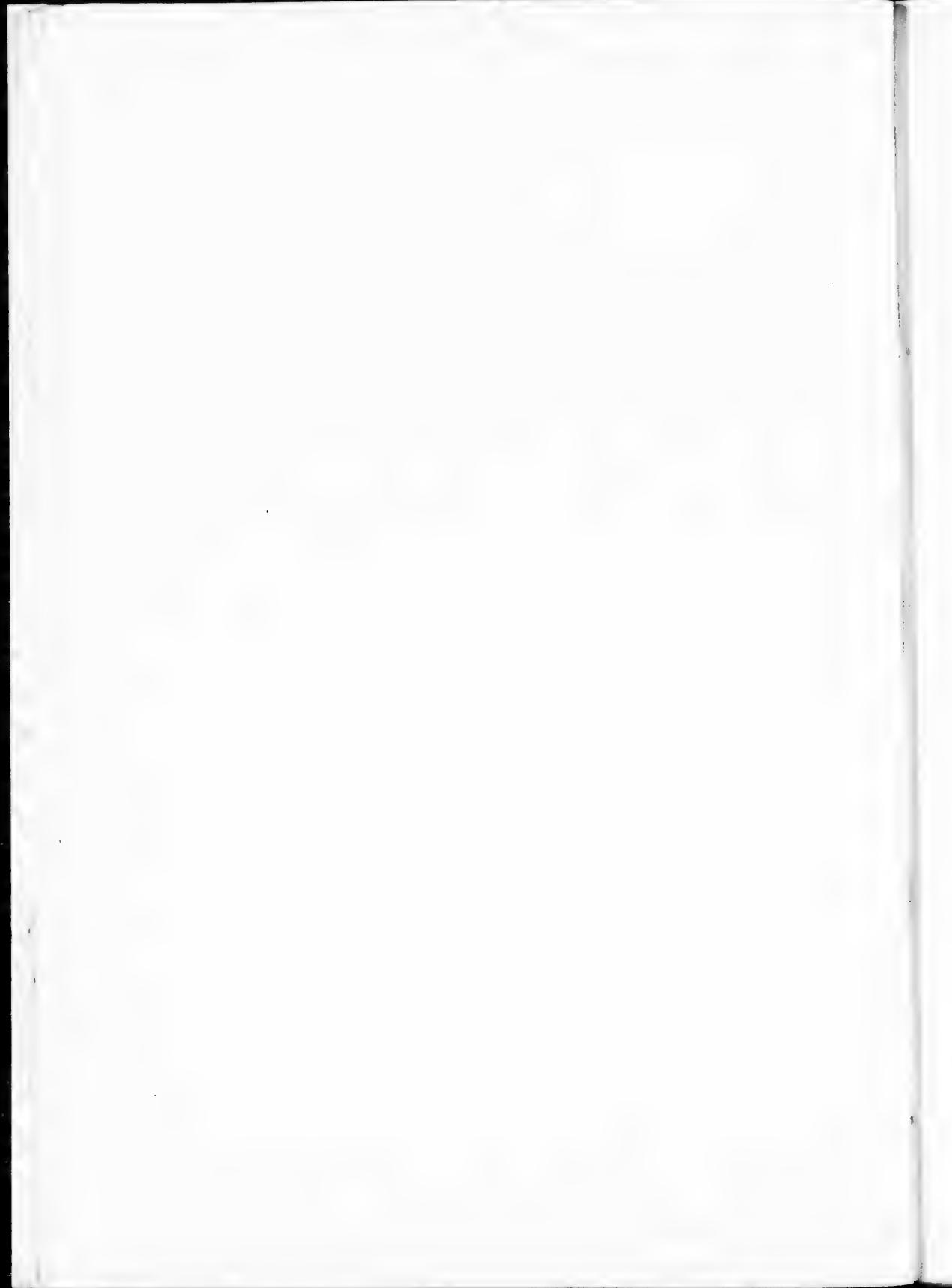
\$138,912,251 58

I. G. OGDEN, Auditor.

MONTREAL, JUNE 12TH, 1885.



BALANCE SHEET
AND
STATISTICS.



DESCRIPTION
OF
FREIGHT CARRIED DURING THE YEAR 1884.

Flour.....	975,084	Barrels
Grain	6,474,192	Bushels
Live Stock.....	136,890	Head
Lumber	244,799,171	Feet
Firewood	54,657	Cords
Manufactured Goods.....	367,321	Tons
Other Articles.....	375,701	Tons

Number of Passengers carried during the year 1884.... 1,171,851

MILEAGE OF ALL THE COMPANY'S LINES.

	Miles.
Montreal to end of track, near summit of Selkirk Mountains.....	2478.5
End of track to Savona's Ferry, under construction	203.2
Savona's Ferry to Port Moody (completed by the Government but not yet transferred to the Company)	213
Total Main Line	2894.7

BRANCH LINES.

Eastern Division, in Operation.

	Miles.
Aylmer Branch, Hull to Aylmer	7.5
St. Jerome " Ste. Therese to St. Jerome.....	12.4
St. Lin " St. Lin Junction to St. Lin	13.0
St. Eustache " Ste. Therese to St. Eustache	8.0
Brockville " Carleton Junction to Brockville.....	45.5
Algoma " Sudbury to Algoma Mills.....	96.0
	183.0

Western Division, in Operation.

Emerson Branch,	Emerson to Winnipeg Junction.....	64.5
Selkirk "	Winnipeg to West Selkirk.....	22.6
Stonewall "	Air Line Junction to Stonewall.....	18.3
Pembina Mountain"	Winnipeg to Manitou	102.4
Gretna "	Rosenfeld to Gretna	13.9
		221.7
Total Branch Lines.....		404.7

LEASED LINES, IN OPERATION.

Ontario and Quebec Railway.

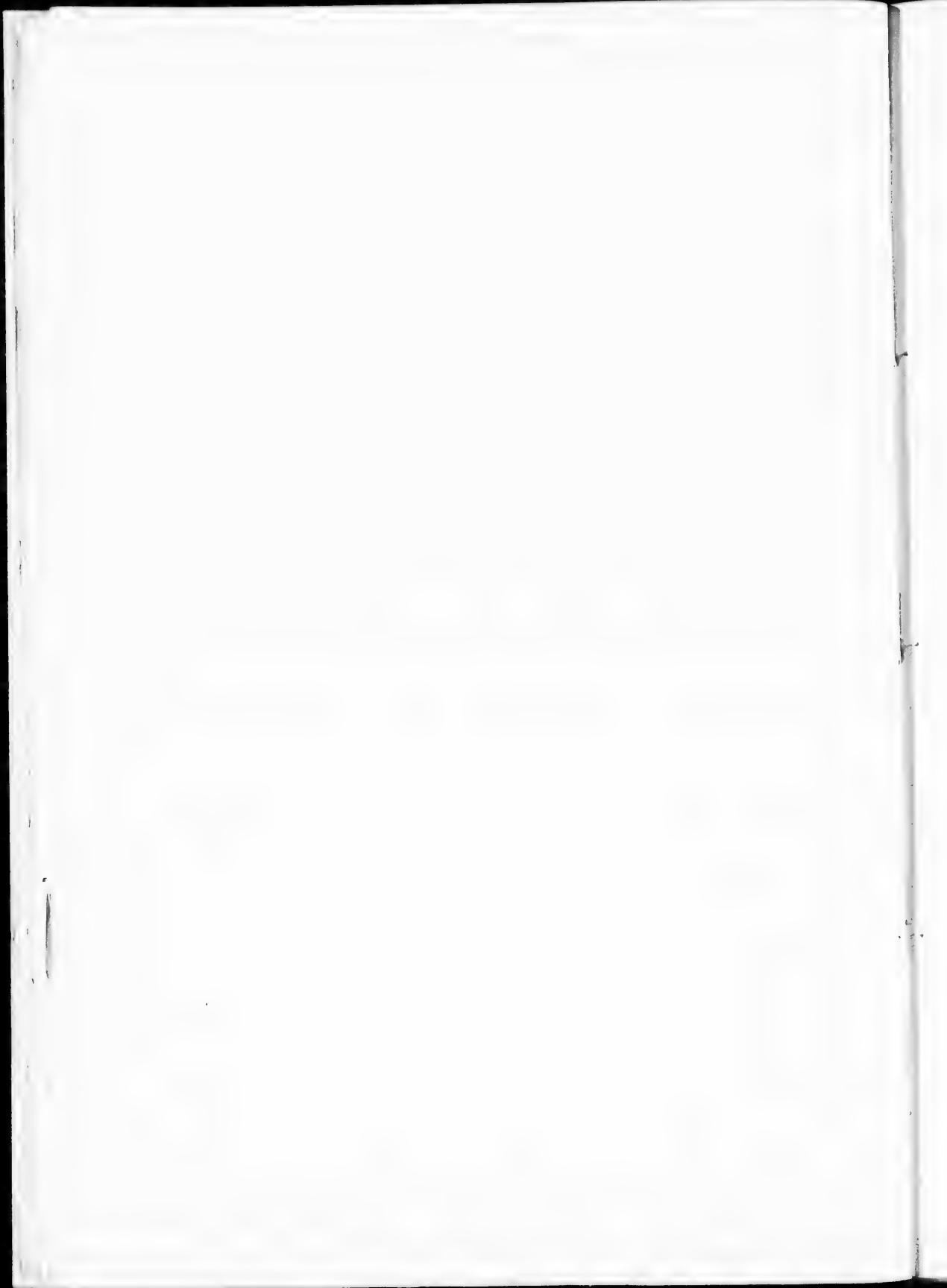
	Miles.
Smith's Falls to Toronto Junction.....	211.0
Toronto to St. Thomas	124.1
Toronto to Owen Sound.....	121.5
Streetsville to Orangeville (Orangeville Branch)	31.6
Church's Falls to Elora (Elora Branch).....	27.6
Orangeville to Teeswater (Teeswater Branch)	69.5
Total, Ontario and Quebec Railway.....	582.2

St. Lawrence & Ottawa Railway	54.0
Manitoba & South-Western Colonization Railway	51.0
Atlantic and North-West Railway (not in operation).....	8.0

Total Leased Lines.....	695.2
Total Mileage of the Company's Lines.....	3,994.6

STATEMENT OF EQUIPMENT AT DECEMBER 31ST, 1884.

Locomotives	304
First Class Passenger Cars.....	85
Second Class Passenger Cars.....	58
First and Second Class Passenger Cars (composite).....	3
Baggage, Mail, Express and Smoking Cars	71
Exhibition Car.....	1
Dining Car.....	1
First Class Sleeping Cars	19
Emigrant Sleeping Cars	22
Parlor Cars.....	9
Street Car	1
Official Cars.....	7
Flat Cars.....	4,477
Stone Cars.....	60
Lime Cars.....	22
Coal Cars.....	63
Box Cars	2,435
Stock Cars.....	281
Refrigerator Cars.....	10
Vans	163
Pay Cars	5
Derrick and Tool Cars.....	32
Snow Ploughs and Flangers.....	37
<hr/>	
Total number Locomotives.....	304
Total number of Passenger Cars of all descriptions.....	282
Total number Freight Cars of all des- criptions	7380
Conductors' Vans	163
Snow Ploughs, &c.....	37



APPENDIX.

*Copy of the application to the Government for relief, together
with the Resolutions based thereon submitted to Parliament.*

CANADIAN PACIFIC RAILWAY COMPANY,
MONTREAL, 18th March, 1885.

SIR,

In view of the approaching completion of the contract for the construction of the Canadian Pacific Railway from Callander to the Pacific ocean, according to the contract entered into by this company, and of the consequent necessity for making timely and adequate provision for the unexpectedly large volume of traffic which the line has already developed, as well as for the great increase which it is now certain will take place on the opening of the through line in the spring of 1886, the company finds itself compelled to seek for some re-arrangement of its finances which will enable it to procure the necessary capital required for this purpose. I have, therefore, the honor, on behalf of the Board of Directors of this Company, to submit to you some observations upon the position of the company, and offer some suggestions as to the necessary remedial measures for restoring to the company the free use and control of its own resources, and, at the same time, of practically providing for the repayment of the loan of last session, and relieving the Government, finally and forever, from all responsibility for, or connection with the Canadian Pacific Railway.

It will be remembered, that under the provisions of the Act of last session, the Government, as security for the repayment of the loan to the company, deemed it necessary to take a statutory lien, not only on the line con-

tracted to be built, but on the whole property of the company, including its steamers and branch lines, practically stripping it of every resource it possessed, and leaving it without any means of providing for the important purposes of the enterprise, outside of the mere work of construction of the main line from Callander to the Pacific Ocean, and its equipment, to the extent contemplated by the contract, except its unsold stock. That resource, the only one the company had left, was rendered unavailable owing, to some extent, to the provision in the Act, by which, in case of default on the part of the company in performing the conditions on which the loan was granted, the Government could practically confiscate the whole property of the Company, but also, in a greater measure, to the unfair and malevolent attacks of the enemies of the company, acting in concert with some, happily only some, of the political opponents of the Government, aided by a venal section of the newspaper press of the country.

From these quarters the company and its resources have been unceasingly assailed and discredited during the whole of the past year in the most unprincipled and unpatriotic manner. A large portion of the country traversed by its lines has been decried as a barren and worthless desert ; the advantages of the Northwest, as a field for emigration, have been depreciated, and attempts have been made to create the impression that the line, when opened, could not possibly pay its working expenses, and that the Government would be compelled to take possession of it and operate it at a loss to the country, variously estimated at from \$3,000,000 to \$8,000,000 annually. In fact, the enemies of the company, both at home and abroad, availed themselves of the stringency of the provisions of the Loan Act, and of persistent and unfounded misrepresentations of the country, and of the conduct of the company, for the scarcely concealed purpose of wrecking the enterprise.

By these means investors were alarmed, the stock was prevented from becoming, as was expected, a means of providing the company with the funds necessary for carrying on its business efficiently, and the credit of the company was all but destroyed.

The company, it will be remembered, at the time of the passage of the Act, earnestly, but ineffectually, remonstrated against the severity of the conditions on which the loan was granted ; especially pointing out the damaging effect on the future credit of the company, of the stringent and apparently inequitable character of the remedy taken by the Government, in the event of default by the company, and their apprehensions in these respects have been fully realized.

The shares of the company, at the time of the passing of the Act last session, were selling at about \$60 per \$100 shares, and were expected to advance to \$75 or \$80. Shortly afterwards they began to decline ; and they are now quoted under \$40. And, under the circumstances stated, it is not surprising that the stock of the company should fail to command the confidence of the investing public.

The amount of the loan provided for by the act of last session was \$22,500,000 ; \$7,500,000 of which were appropriated to pay existing obligations, leaving \$15,000,000 for the purpose of completing the contract. This amount, plus \$12,710,000 unpaid subsidy then in the hands of the Government, gave a total of \$27,710,000 applicable only to the work under contract. The mode provided by the Act for obtaining payment out of this fund rendered it impossible that any part of it could be drawn from the Government for any purpose, except for the bare cost of construction, with the stipulated amount of rolling stock. Before any such payment could be made, an estimate was required to be prepared by the Government engineers, as the work

proceeded, of the proportionate value of the work done ; and the amount of such estimate, less ten per cent., was paid to the company. But, in order to make the Railway a first class carrying power, with all the appurtenances and appliances necessary to enable it to compete successfully with the best of the American trans-continental lines, much had to be done and provided besides the mere work of construction and equipment according to the contract, and these requirements are not materially diminished by the fact, which is admitted, on all hands, that the whole line has been constructed of a quality and character far exceeding the standard agreed upon between the Government and the company.

Upon the opening of the Railway in the Spring of next year, it cannot dispense with a full provision for its efficient and vigorous operation without great injury to its prestige and future reputation. Its road bed for the 2,900 miles from Montreal to the Pacific Ocean, its facilitates for handling traffic, and its equipment, must be of the highest class, not inferior to those of any other trans-continental line, otherwise it will not command the traffic, and the enemies of the enterprise will take a delight in pointing to it as a reproach, both to the country and the company.

For these purposes, the usual improvements required upon all new railways have to be made. Terminal facilities require to be provided, workshops have to be built and furnished with expensive machinery, elevators require to be constructed and many other things have to be done to provide for the unexpected development of traffic already reached, and for the still greater volume which is certain to follow the opening of the line. Many of these things had to be done at once, and could be most economically provided concurrently with construction. It would have been unwise and improvident in the extreme to have postponed such provision until the last rail should be laid ; and the Company accordingly felt obliged to proceed to some extent with the most important

of these improvements. In doing so it relied upon the proceeds of its unsold stock. It could not obtain one dollar for any of these purposes under the Act of last Session, the provisions of which, as has been shown, were confined to the actual work of creating the bed of the railway, laying the track, and supplying it with a certain quantity of rolling stock. The expenditure during the past year, outside of the contract, for the purposes referred to, amounts to about \$5,000,000 ; and, in addition, in order to keep faith with the shareholders, provision had to be made for the payment of the promised extra dividend ; and interest had to be paid amounting altogether to about \$3,000,000 more. And as it was found impossible to realize upon the unsold stock, some of the Directors resident in Montreal gratuitously came to the assistance of the Company, pledging their personal credit and their own private securities for the benefit of the Company, and so the money for the latter expenditure was found.

In the meantime the work of the contract has been carried on with the utmost energy and rapidity ; and it will be completed before the stipulated time, the money remaining in the hands of the Government, amounting on the 31st December last to \$8,726,949, being sufficient to complete the performance of all the obligations of the Company under the contract. As was expected, there has been a large saving effected on the cost of the work on the Mountain Section, but the advantage thus obtained has been absorbed in extra expenditure on the Lake Superior section.

To enable the Company to procure the additional capital that will be required for the purposes indicated, I beg respectfully to propose :—

1. That the \$35,000,000 unsold stock shall be cancelled.
2. That authority be granted to the Company to issue, in lieu thereof, \$35,000,000, four per cent., fifty year, first mortgage bonds secured by a first lien on the main line of the Railway from Montreal to the Pacific

Ocean, covering all terminals built, or to be built, and all equipment and rolling stock now on the line, or that may be hereafter put upon it; together with its tolls and revenues, subject, of course, to the existing mortgages on the line from Montreal to Callander.

3. The Government to accept \$15,000,000 of these bonds in part settlement of the loan to the Company, the balance of the loan to be paid off by a reduction of the land grant, to an extent necessary to cover the amount of the balance of the loan, at the rate of \$2 per acre, which is 46 cents per acre less than the lands already sold have netted the Company in cash.

The loan of last session would thus be practically paid off, and the Company would have in its Treasury ample resources from its first mortgage and land grant bonds to provide for its present wants as well as for the future development of its business; and with its credit restored and re-established in the confidence of its shareholders it would then be in a position to proceed, 1st, with the much wanted extension of the Manitoba South Western Railway; 2nd with the completion of the line to Sault Ste. Marie; 3rd, to secure, in some way, a connection with the City and Harbor of Quebec; 4th, with reasonable aid from the Government to extend the Canadian Pacific system to the ocean ports of the Maritime Provinces; 5th, it would also be in a position to aid indirectly in securing the early completion of its Ontario Division to the Detroit River, and at the same time, removing for ever, all necessity for any further applications to the Government for assistance on the part of the Company. Its further necessities and the success or failure of the enterprise would thus be entirely the affair of the shareholders themselves.

4. To enable the company to provide for present wants, and to give it time to realize on its securities, the Government to make a temporary loan of \$5,000,000 for a term not exceeding eighteen months, on the security of the postal subsidy payable by the Government to the company, supplemented by a deposit with the Government of \$5,000,000 four per cent. first mortgage bonds.

5. If the foregoing suggestion is adopted, an amount of the Land Grant Bonds in the hands of the Government, equivalent to the number of acres deducted from the land grant, must be cancelled; the balance of those bonds, then remaining, to be returned to the company.

I regret that circumstances should have placed it in the power of the enemies of the Company to compel it to make this application to the Government; but hope the suggestions now offered will receive favorable consideration. Their adoption would have the effect of gradually restoring the credit of the Company, and of placing the enterprise in a condition to do its work efficiently and

successfully, without involving the government in any permanent additional outlay on behalf of the Company, and actually providing for the practical repayment of the existing loan.

In conclusion it only remains for me to add that, in making this application to the Government, I do so with the fullest faith and confidence in the present and future money-earning power of the enterprise. I am satisfied that the resources of the Company are amply sufficient faithfully and honestly to discharge every obligation it has incurred, whether to the Government or to others; and that the Canadian Pacific Railway, upon its final completion and equipment, will be one of the most important and prosperous Railway properties on this Continent.

Statements are appended showing the amounts expended on improvements on main line and branches, rolling stock, etc., in 1884, beyond the requirements of the contract: and an estimate of the probable expenditure, for similar purposes, up to May, 1886, with several other statements bearing on some of the matters referred to in this letter.

I have the honor to be,

Sir,

Your obedient servant,

(Signed), GEO. STEPHEN,
 President.

The Honorable the Minister
of Railways and Canals, Ottawa.

STATEMENT

Showing the amounts expended by the Company on 31st December, 1884, on construction of main line and branches, extensions, terminals, improvements, equipment, interest and dividends ; also showing the total amount received by the Company from its cash and land subsidies, and from Government loan :

1. Expended on main line and branches.....	\$52,595,842
2. Expended on equipment.....	9,168,755
3. Expended on improvement of Government lines.....	1,241,780
4. Material on hand.....	3,687,729
5. Expended on advances to secure access to the Seaboard, and for other purposes within the charter and on leased lines.....	5,857,223
Total expenditure to 31st December.....	<hr/> \$72,551,329

ADDITIONAL EXPENDITURE.

Sum now in hands of Government to pay nine years guaranteed dividend.....	\$14,288,288
Dividend paid.....	5,378,000
Interest on land grant bonds.....	582,734
	<hr/> \$92,800,351
Total amount received from cash and land subsidies and from Government loan.....	55,532,651
Balance.....	<hr/> \$37,267,700

I. G. OGDEN,
Auditor.

Amount expended in excess of receipts up to 31st December, 1883, as shown by statement of that date.....	\$37,377,175
Amount received from Government loan to apply on 1883 expenditure.....	7,500,000
	<hr/> \$29,877,175
Amount expended in excess of receipts up to 31st December, 1884, as shown by statement of that date.....	\$37,267,700
Add—Amount deducted from estimates paid by Government to repay advances on rails of 1883.....	339,235
Net increase of expenditure over receipts from Government subsidy and loan during 1884.....	<hr/> \$7,729,760

I. G. OGDEN,
Auditor.

The above statement is made in comparison and to cover items in statement of 1883, but does not cover expenditure for interest, general expenses, interest on Government loan, &c.

Estimated probable expenditure to June, 1886, for additional equipment and improvements, and for additional facilities necessary to advantageous operation, and full development of traffic.

For sleeping cars, passenger cars, dining cars, baggage, mail and express cars, emigrant cars, box and cattle cars, conductors' cars, derrick, tool and other auxiliary cars, locomotives, hand cars, push cars, track tools, semaphores and other equipment requisite for operation of line, also for restoring construction locomotives to good working condition.....	\$1,000,000
For elevators, Port Arthur, Montreal, &c., coal bunkers, Montreal, additional real estate, Montreal and elsewhere, revetment walls, Montreal, additional depot and tracks and other facilities, Montreal and other points, additional yard room and tracks, coal and other docks, and other terminal facilities at Fort William and Port Arthur.....	1,500,000
For Divisional shops and machinery at nine points, coal docks and machinery at two points on Lake Superior section. Station buildings, section houses and miscellaneous buildings at various points, additional station sidings, and crossings, tracks at various points, extension of Divisional yards, additional engine houses, improvement in water supply, additional tanks, permanent bridge work at various crossings Bow River and on other sections, additional ballasting, filling trestles and raising roadway....	600,000
For completing telegraph system, main line and branches.....	275,000
For connection with Coal Harbor and English Bay, shops, buildings, docks, tracks and other facilities at Pacific terminus.	760,000
Contingent expenses.....	910,000
	<hr/>
	\$5,045,000

CONTINENT EXPENDITURE.

Snow sheds in Mountains.....	\$450,000
Snow protection, Lake Superior section	160,000
Prairie section, obliterating remaining cuttings.....	100,000
Terminal facilities, at Quebec.....	200,000
	<hr/>
	\$910,000

Statement of amounts expended on improvements on main line and branches, additional equipment, &c.. in 1884 in excess of estimates received, and beyond requirements of the contract, and for which no part of the government loan or subsidy was available :—

Montreal to Sudbury.....	\$843,694
Sudbury to Winnipeg.....	1,392,845
Winnipeg West.....	1,209,796
Expended on branches	578,048
Expended on Government lines.....	130,435
Expended in additional equipment.....	547,866

\$4,702,684

Amount paid during 1884 on interest dividends, exchange, insurance and general expenses.....	3,478,585
	<u>\$8,181,269</u>

Not included in the above estimate of extra expenditure on construction between Michipicoten and Port Arthur beyond the requirements of the contract, amounting to.....	\$2,500,000
---	-------------

Statement of the Accountant appointed by the Government to examine the books of the Company.

OTTAWA, 4th May, 1885.

SIR,—I have the honor to state that in accordance with your instructions of the 13th ult., and the further verbal request of the honourable the Finance Minister; I have carefully examined into the books of the Canadian Pacific Railway Company, and have extracted from them a balance sheet showing the state of affairs on 31st December, 1883, and the 31st December, 1884, respectively. From this balance sheet I have constructed a statement, exhibiting those phases of their expenditure into which the honorable the Finance Minister directed me more particularly to inquire, viz.:—The extent of expenditure made by the Company upon the main line (from Montreal to the Pacific Coast) out of its own resources, independently of moneys received from the Gov-

ernment, and the proximate causes which have led to the existence of a floating debt of from \$6,000,000 to \$7,000,000. I append the statement hereto, and have the honour to be, Sir

Your obedient servant,

EDWARD MIALL.

Hon. J. H. Pope, Minister of Railways and Canals.

BALANCE SHEET.

Canadian Pacific Railway—Condensed balance sheet 1st January, 1885 :

West of Callander—

Construction	\$48,382,084
Improvements	1,241,780
Materials.....	3,687,729

\$53,311,593

East of Callander—

On main line.....	4,213,758
Equipments on main line.....	9,168,755
Interest, etc., on financial matters in connection with main line construction, handling material, etc.....	1,389,474

\$68,083,580

Received from Government—

Subsidy	\$20,240,317
---------------	--------------

Loan—

Less retained for dividend guarantee, \$7,380,912.	18,626,600
--	------------

Land—

Proceeds of.....	8,702,086
	\$47,569,003

Expended on main line out of Company's resources.....	20,514,577
---	------------

Expended out of Company's funds on connections.....	5,857,224
---	-----------

Dividend.....	5,378,000
---------------	-----------

Deposit with Government to guarantee dividend.....	6,907,377
--	-----------

Total expenditure made and liabilities incurred of other than Government resources	\$38,657,178
---	--------------

Provided thus.

Capital.....	\$29,568,123
--------------	--------------

Bonuses.....	232,600
--------------	---------

Town sites.....	504,675
-----------------	---------

Earnings.....	\$1,626,063
---------------	-------------

Less—Balances due.....	169,745
------------------------	---------

Floating debt.....	1,456,318
--------------------	-----------

	6,895,462
--	-----------

	\$38,657,178
--	--------------

RESOLUTIONS.

On Tuesday, the 30th April, 1885, the Premier, The Rt. Hon. Sir John A. Macdonald, gave notice in the House of Commons of, and laid on the table, the following Resolutions :—

1. That the Canadian Pacific Railway Company, under the authority of its shareholders, as provided by the 28th section of its Charter, may issue and deliver to the Government first mortgage bonds to the extent of \$35,000,000, bearing 5 per cent. interest, such bonds to constitute and be a first lien and charge on the entire property of the Company, real and personal, now owned or hereafter to be acquired, or owned by it (save and except the lands granted or to be granted by the Government to the Company under the said contract), including its main line of Railway with its tolls and revenues, the extensions thereof; its branch lines of Railway (except the Algoma Branch), the whole of its equipment, rolling stock and plant, and all its steamers and vessels, saving always, however, the rights of the holders of the existing mortgages on the extensions of the line of the Railway from Callander to Brockville and Montreal as security for the unpaid balances of the purchase money of the said extensions.
2. That the Company may secure the payment of the said Bonds and of the interest thereon by a Deed of Mortgage executed by the Company to Trustees to be approved by the Government, with the authority and of the tenor and purport, and containing the conditions, remedies, provisions and powers authorized and provided for by the 28th Section of the Charter of the Company, to such extent and in such manner and form as shall be approved by the Governor in Council.
3. That upon the issue and delivery of the said Bonds to the Government, the lien and charge created by the

Act 47 Victoria, Chapter 1, intituled; "An Act to amend the Act respecting the Canadian Pacific Railway Company and for other purposes": upon the Railway and property of the Company affected by the said Bonds and by the Deed of Mortgage securing the same shall cease to exist, and shall be released and discharged in respect of the Railway and property so affected, and the shares in the capital stock of the Company, to the extent of \$35,000,000 now in the hands of the Government shall be cancelled and destroyed. But the Algoma Branch shall still remain charged with the lien and charge created by the said Act.

4. That the time for the payment of the entire loan to the Company of \$29,880,912 shall be fixed at the first day of May, 1891, and so long as default shall not occur in the payment of principal or interest at the times when they shall respectively become due, the interest upon the said loan shall be computed at the rate of 4 per cent, per annum. But the Company may at any time pay the amount of the said debt or any part thereof in sums of not less than \$1,000,000; and if such payment be made on account of the sum of \$20,000,000, hereinafter mentioned, corresponding amount of Bonds shall be returned to it.

5. That as security for the payment of \$20,000,000 of such loan and of the interest thereon, the Government shall hold and retain \$20,000,000 of the said first mortgage bonds, and in respect of such bonds shall have all the rights of bondholders except as to the rate of interest as provided in the last preceding section. And upon payment of any half-yearly instalment of such interest the half-yearly coupons attached to the said bonds, corresponding to such half yearly payment of interest, shall be cancelled and surrendered to the Company. But if the Company makes default in the payment of the interest on the said sum of \$20,000,000 or of the principal thereof at

the time when the same shall become due respectively, the rate of interest upon the whole loan shall thereafter be computed at the rate of 5 per cent. per annum; and such default shall be equivalent to a default in the payment of the interest on the said Bonds, and shall entitle the Government to the same remedies as if default had been made in the payment of the interest or principal of the said Bonds; and upon the Company remaining in default in respect of either the principal or interest on the said \$20,000,000 for a period of 12 months, the Trustees shall be authorized and empowered to take possession of the property mortgaged and to administer the same for the benefit of the bondholders generally.

6. That as security for the payment of the balance of the said loan amounting to the sum of \$9,880,912, and the interest thereon, the Government shall have a first lien and mortgage, subject to the outstanding Land Grant Bonds, on the whole of the unsold lands forming the remaining part of the Company's Land Grant earned and to be hereafter earned, such principal and interest to be paid out of the net proceeds of the sale of such lands; and the Government shall continue to hold and retain the entire amount of Land Grant Bonds now in its custody and possession as provided by the said Act. And if the net proceeds of such sales to be made from time to time in due course, shall be insufficient to pay the interest on the said last mentioned amount as the same shall fall due, or the principal thereof, when the same shall become due, the Governor in Council may order the sale by the trustees of such lands or any part thereof in such manner as shall be fixed by such order, in satisfaction of the interest or principal in respect of which default has occurred. And after the sale of the whole of such lands any deficiency in the proceeds thereof to pay the amount charged thereon, shall be a charge upon the Company's entire revenue after providing for its fixed charges, and by pre-

ference over the shareholders. And no further or other charge shall be created on the property mortgaged as security for the said first mortgage bonds until the said sum of \$9,880,912 and interest, and also the said sum of \$20,000,000 and interest shall have been paid in full; and after payment out of the proceeds of such lands of the outstanding Land Grant Bonds, and of the said sum of \$9,880,912 and interest, the remainder of such lands shall remain charged with a first lien and privilege in favor of the Government as additional security for the payment of the said sum of \$20,000,000 and interest.

7. That the Government may make a temporary loan to the Company of \$5,000,000 to be repaid by the Company to the Government on or before the 1st day of July, 1886, with interest at the rate of 4 per cent. per annum payable on the 1st day of January and the 1st day of July, 1886, the Company to have the right to repay the said loan by instalments of not less than \$1,000,000 each, and to receive on the payment thereof, a corresponding proportion of the amount of said bonds held as security therefor; and after reserving part of the said bonds to the amount of \$8,000,000 to be held by the Government as security for the said temporary loan, and to be delivered to the Company on payment to the Government of the said sum of \$5,000,000 and interest in whole or in part in proportion to such payment, the remainder of the said Bonds shall be from time to time paid by the Government to the Company, to be applied by the Company under the supervision of the Government to the payment for work done or to be done for the development, improvement and extension of the Railway, its connections and equipment, and for the maintenance of the credit, and efficiency of the Company generally to the satisfaction of the Government; and if the Bonds in the hands of the Government, or any part thereof, shall be sold by the Company at a price satisfactory to the Government, the proceeds of such sale shall be paid into

the hands of the Government in the place and stead of the Bonds so sold, and such proceeds shall be dealt with as is hereinbefore provided with respect to the Bonds they represent.

8. That the proportion to which the Government is entitled of the moneys realized by the Trustees of the Land Grant Bonds ; and after the redemption of the Land Grant Bonds, the proceeds of all sales of Land granted or to be granted to the Company, under the contract, realized as provided by the said Act, shall be applied to the payment of the interest and principal of the said sum of \$9,880,912. And after payment thereof in full, towards the payment to the Government of the interest and principal of the said sum of \$20,000,000.

9. That the said Act of last Session (47th *Victoria*, Chap. 1), shall remain in force except in so far as it is affected by the provisions hereof.

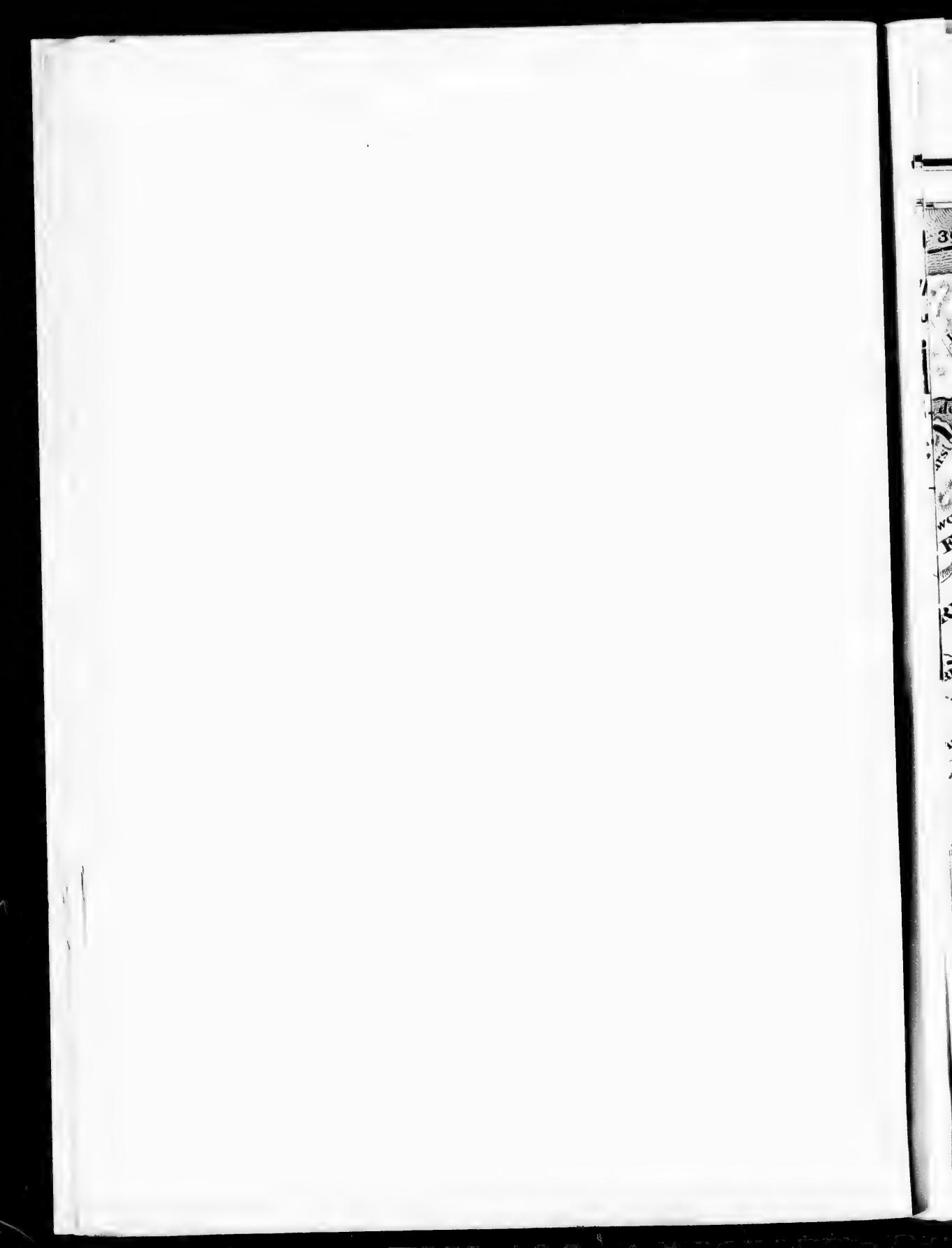
16. That if at any time any line connecting with the United States system of Railways shall be in course of construction to a point on the river St. Mary's, and there shall be a probability of the early completion thereof ; and the Company shall desire to continue the Algoma Branch to a junction with such line ; the Governor in Council may, in their discretion, and upon such conditions as they shall determine, order the release and discharge of the said Branch from the lien and charge thereon created by the said Act, and continued by this Act, and may, by such order, authorize the Company to exercise in respect of the said Branch, the power of mortgaging the same in manner and form as provided by its charter with respect to mortgaging the main line thereof, to such extent per mile as shall be fixed by such order, the proceeds of such Bonds to be applied exclusively to the construction of the extension of the said Branch to such junction.

l of
with
they

en-
and
rant
o be
d as
pay-
m of
wards
prin-

Chap.
ected

n the
rse of
there
ereof;
lgoma
nor in
condi-
nd dis-
hereon
ct, and
cise in
ng the
er with
uch ex-
roceeds
nstruc-
nction.



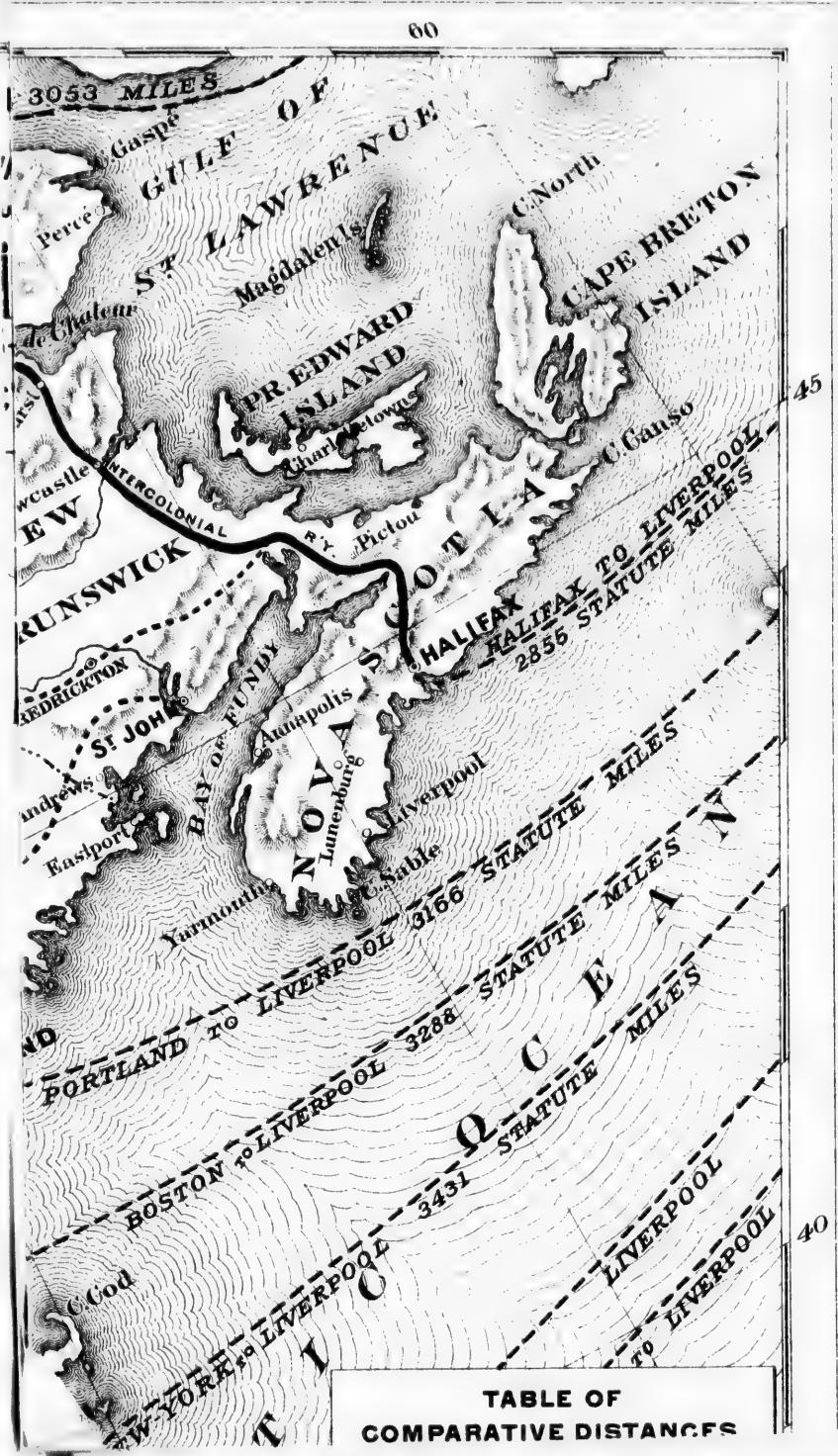
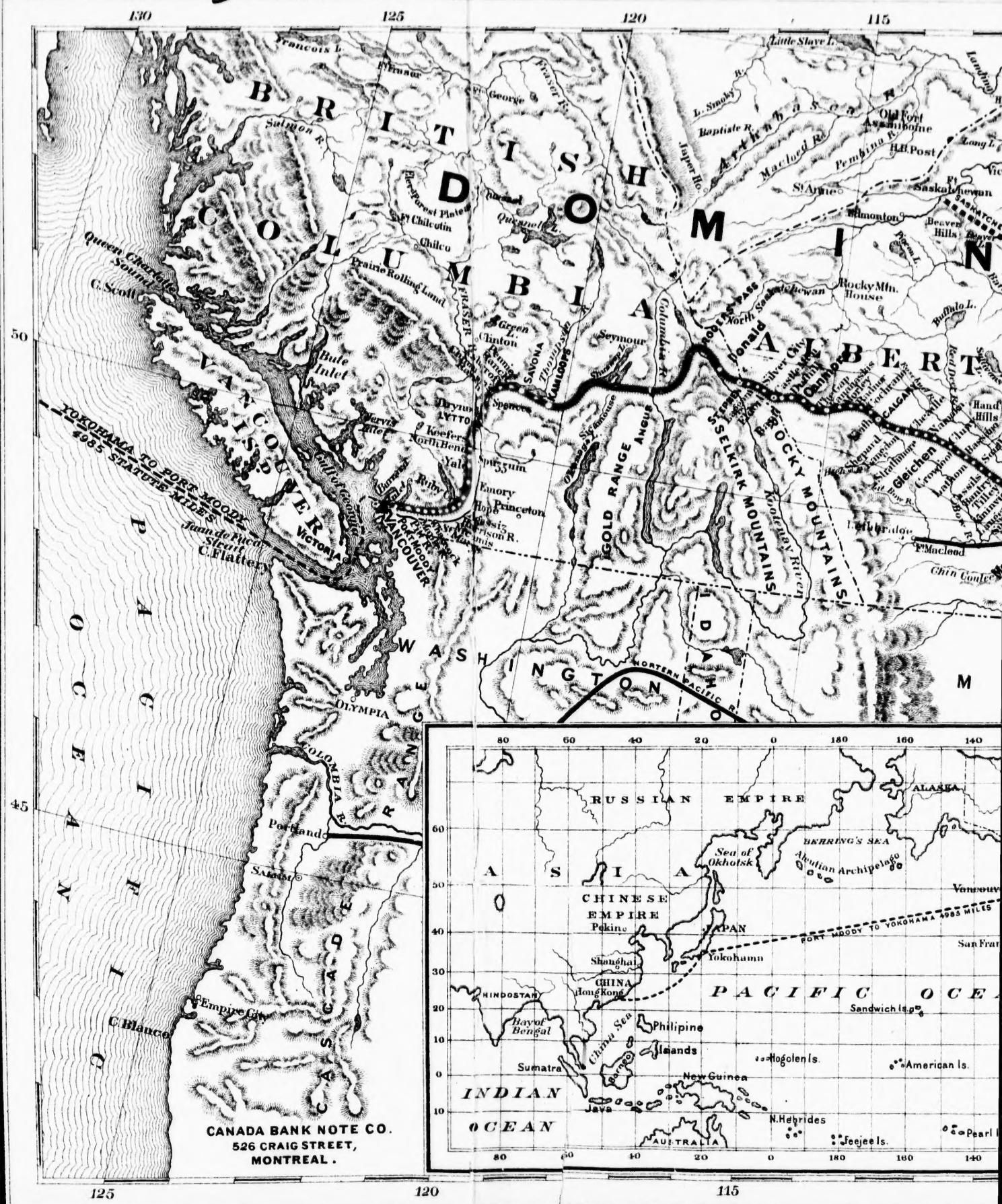
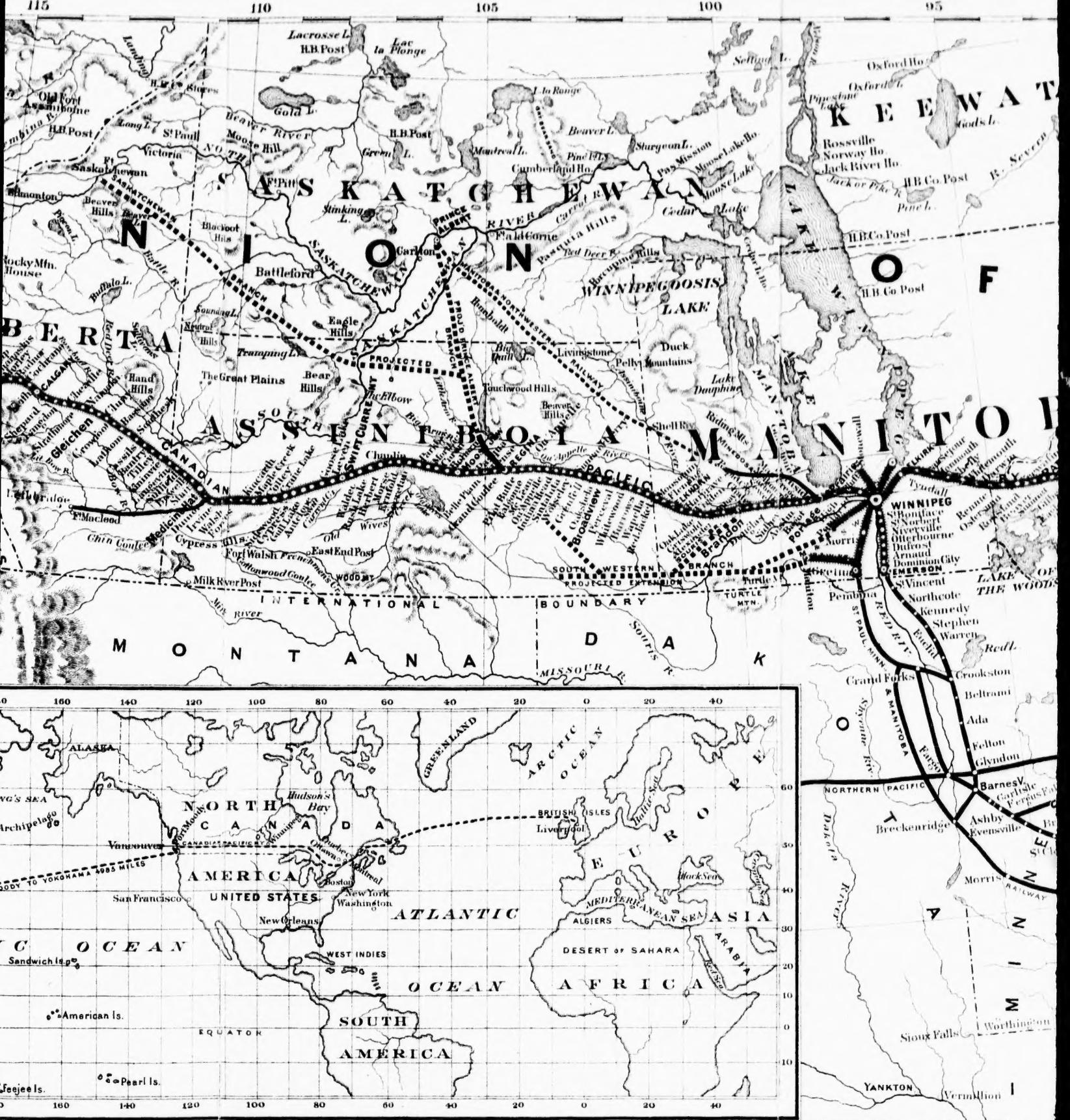


TABLE OF
COMPARATIVE DISTANCES





MAP

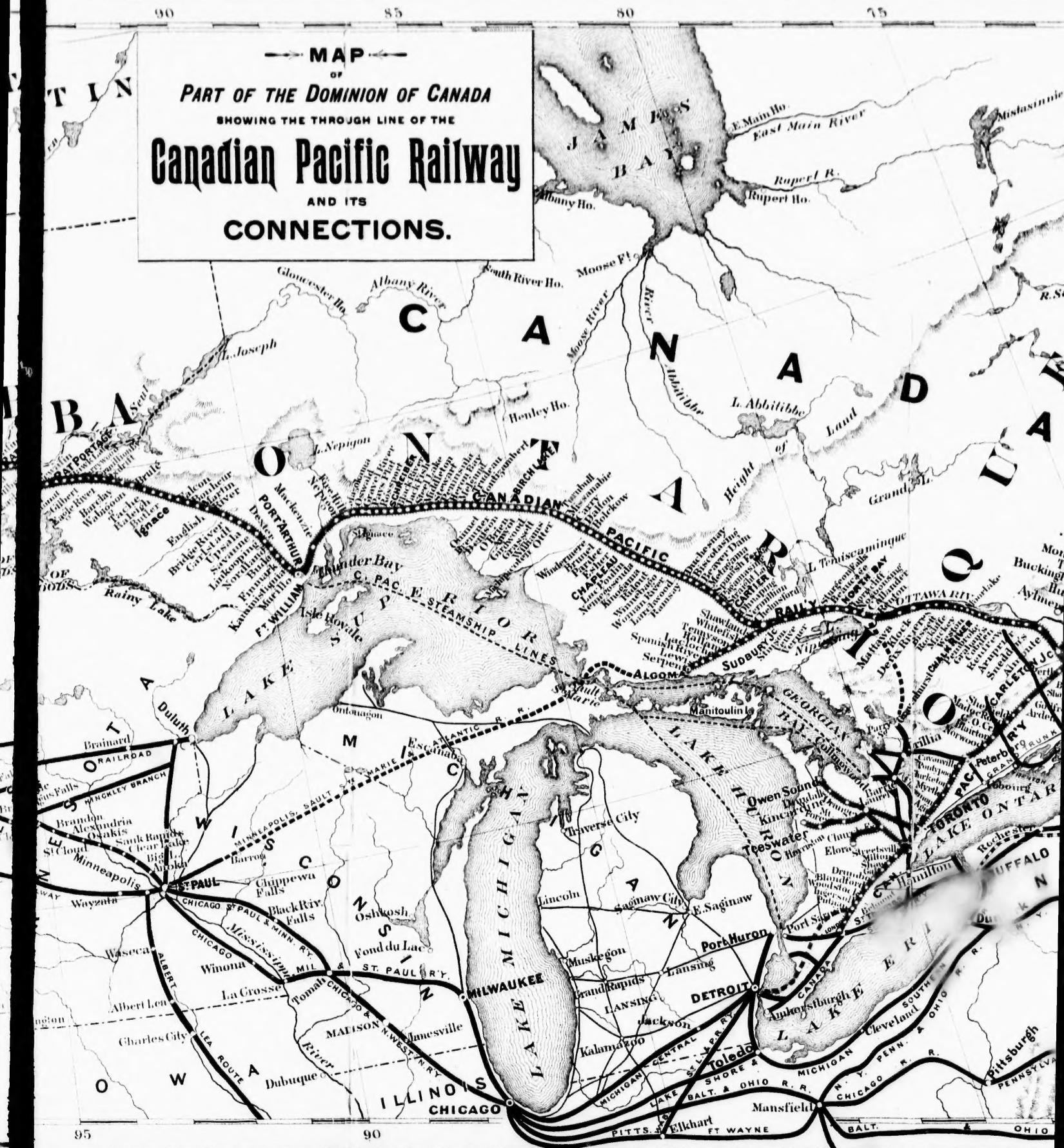
OF
PART OF THE DOMINION OF CANADA

SHOWING THE THROUGH LINE OF THE

Canadian Pacific Railway

AND ITS

CONNECTIONS.



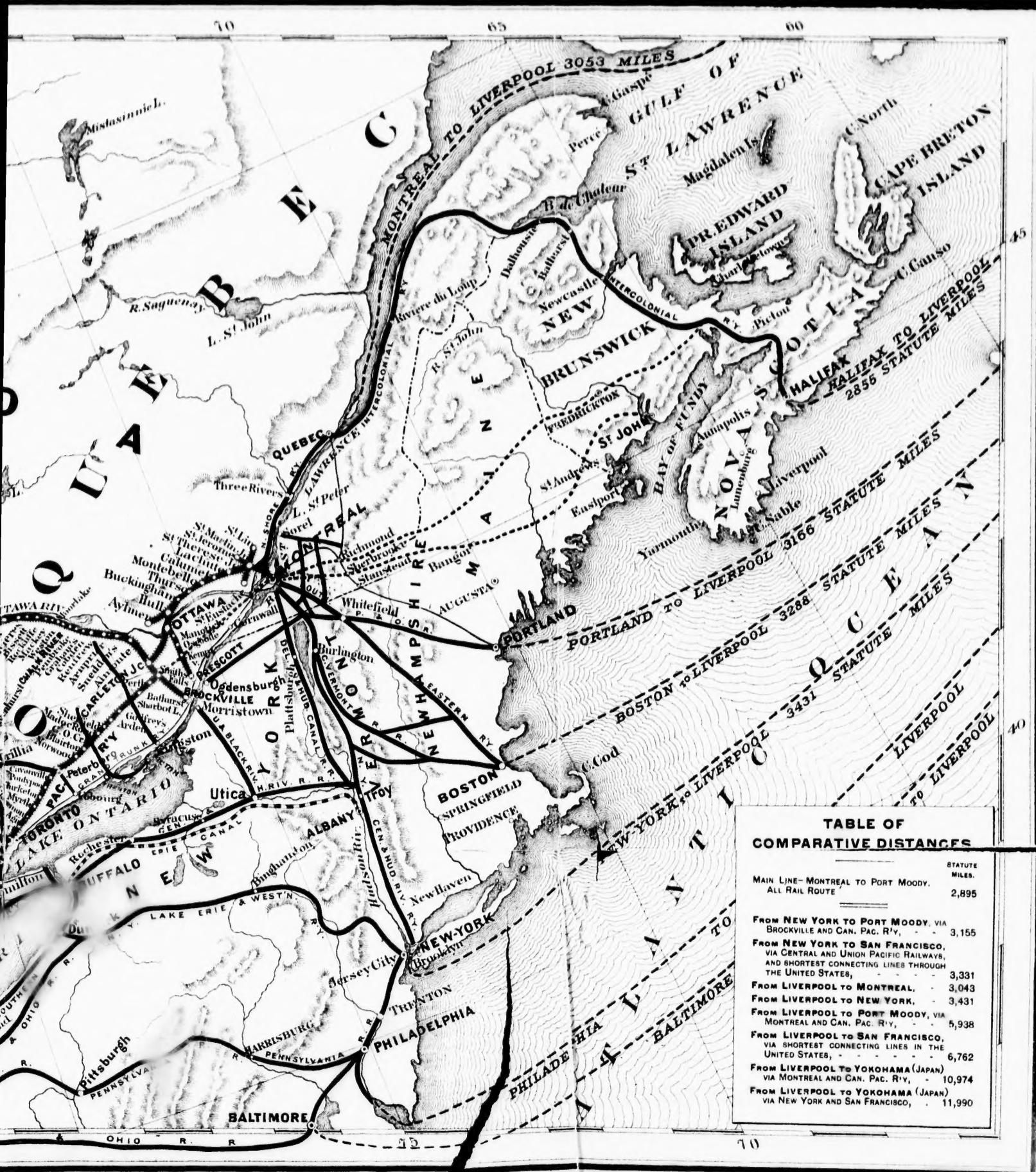


TABLE OF COMPARATIVE DISTANCES

STATUTE
MILES.

MAIN LINE - MONTREAL TO PORT MOODY,
ALL RAIL ROUTE

2,895

FROM NEW YORK TO PORT MOODY, VIA
BROCKVILLE AND CAN. PAC. RY. - 3,155

FROM NEW YORK TO SAN FRANCISCO,
VIA CENTRAL AND UNION PACIFIC RAILWAYS,
AND SHORTEST CONNECTING LINES THROUGH
THE UNITED STATES, - 3,331

FROM LIVERPOOL TO MONTREAL, - 3,043

FROM LIVERPOOL TO NEW YORK, - 3,431

FROM LIVERPOOL TO PORT MOODY, VIA
MONTREAL AND CAN. PAC. RY., - 5,938

FROM LIVERPOOL TO SAN FRANCISCO,
VIA SHORTEST CONNECTING LINES IN THE
UNITED STATES, - 6,762

FROM LIVERPOOL TO YOKOHAMA (JAPAN)
VIA MONTREAL AND CAN. PAC. RY., - 10,974

FROM LIVERPOOL TO YOKOHAMA (JAPAN)
VIA NEW YORK AND SAN FRANCISCO, - 11,990